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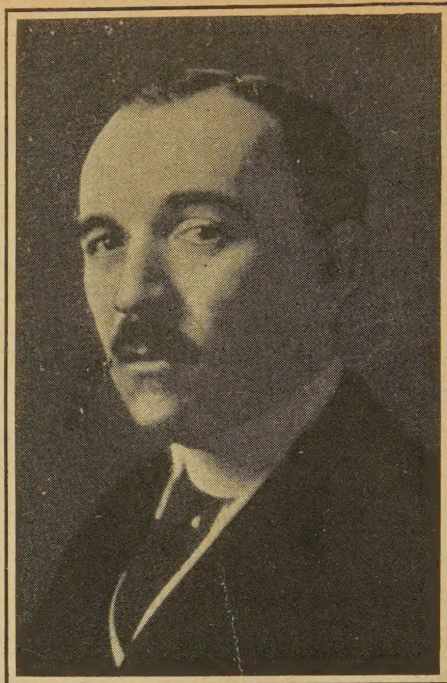
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PROMINENT FIGURES WHEN THE WORLD WAR BEGAN



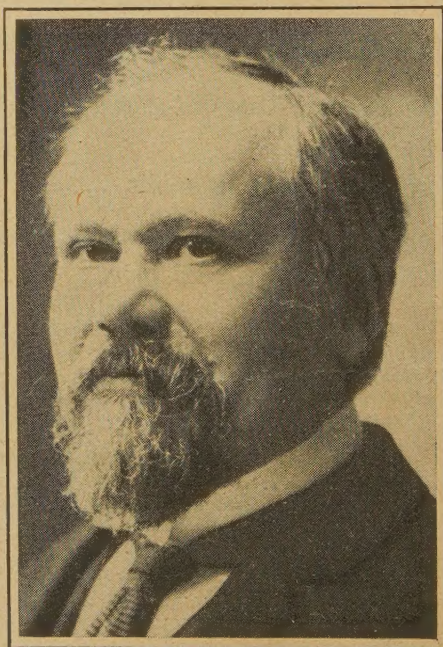
CONRAD VON HOETZENDORF
Chief of Staff of the Austro-Hungarian Army
1914



Brown Brothers
COUNT BERCHTOLD
Austro-Hungarian Foreign Minister in 1914



Brown Brothers
GENERAL SUKHOMLINOV
Russian War Minister in 1914



Keystone
RAYMOND POINCARÉ
President of France in 1914

ASSESSING THE BLAME FOR THE WORLD WAR *A Revised Judgment Based on All the Available Documents* By Harry Elmer Barnes

SECTION VIII. of the Treaty of Versailles, signed on June 28, 1919, begins as follows:

The Allied and Associated Governments affirm, and Germany accepts, the responsibility of herself and her allies, for causing all the loss and damage to which the Allied and Associated Governments and their nationals have been subjected as a consequence of the war imposed upon them by the aggression of Germany and her allies.

On the basis of this assertion the allied powers specifically and concretely erected their claim to reparations from Germany, and by implication the general nature of the entire treaty. Some have supposed that Germany, by apparently acquiescing in this charge of full and complete guilt in regard to the outbreak of the war, finally and for all time clinched the argument of the Allied Powers in regard to her sole responsibility. Such a position could hardly be held, however, by any one familiar with the methods of the Allies during the peace conference. Germany occupied the situation of a prisoner at the bar, where the prosecuting attorney is given full leeway as to time and presentation of evidence, while the defendant is denied counsel or the opportunity to

produce either evidence or witnesses. It was, indeed, a case where the prosecution simply contented itself with the assumption of the guilt of the defendant and was not required to furnish proof. Germany was confronted with the alternative of signing the confession at once or having her territory invaded and occupied, with every probability that such an admission would be ultimately extorted from her in any event. In the light of these obvious facts it is plain that the question of the responsibility for the outbreak of the World War must rest for its solution upon the indisputable documentary evidence which is available in the premises.¹

¹Not the slightest pretension is made in this article to any discovery of facts not already well known to all historians interested in the history of contemporary European diplomacy. The aim of the author is solely to set forth in a clear fashion the conclusions to which we are inevitably forced by the authentic documents which have been published since 1914, and mainly since 1919. Full and complete indebtedness is acknowledged to such experts in the field as S. B. Fay, G. P. Gooch, B. E. Schmitt, A. C. Coolidge, R. J. Kerner, C. A. Beard, W. L. Langer, A. F. Pribram, M. Montgelas and the authors of the special treatises which will be mentioned in the course of the article. In particular, I am indebted to Professors Bernadotte E. Schmitt and William L. Langer for a critical reading of this article, which has added much to the general interpretation and saved me from many slips in matters

Harry Elmer Barnes, Ph. D. (Columbia), 1917), born Auburn, N. Y., 1889, is of a long line of American ancestry of original English and Dutch stock. He was professor of history of culture at Clark University 1920-1924, and is now Professor of Historical Sociology at Smith College. He is a recognized authority in historical bibliography, and author of numerous works on historical and sociological subjects. He was statistician of the United States War Department in 1918.

The editor of CURRENT HISTORY MAGAZINE regards Professor Barnes as one of the most thorough American scholars in historical research. The opinions expressed by him in the accompanying analysis are upon his own responsibility, and are his personal conclusions reached in collaboration with Ameri-

can historians of high repute. He authorizes the statement that he has never had German or Austrian affiliations either in study or in any personal relationships, his attitude during the war having been strongly pro-English and pro-French.

In view of the importance of the conclusions, the Editor submitted the manuscript before publication to Professor Albert Bushnell Hart, Chairman of the Current History Associates, who reviews Professor Barnes's judgment in an analysis appended at the conclusion of this article.

It is intended in a subsequent issue to print judgment on the article by several other distinguished American historians well qualified to discuss this important subject.

EDITOR CURRENT HISTORY.

Under the circumstances which ordinarily follow a great war, we should still be as ignorant of the real causes of the World War as we were in 1914. It has been a general rule that the archives, or repositories of the public documents of the States involved, have been closed to non-official readers until from forty to eighty years after the events and negotiations which these documents describe. Hence we should normally have been required to wait until about 1975 for as great a volume of documentary evidence as we now possess, and two generations of students would have passed away without progressing beyond dubious guesses and intuitive approximations to the truth. The explanation of our unprecedented good fortune in this regard is to be found in the revolutionary overturns in Germany, Austria and Russia before the close of the World War. The new Governments were socialistic in character and hypothetically opposed to war and militarism, despite the fact that the Socialists had for the most part remained loyal to their capitalistic or landlord Governments in the World War. Desiring to make their tenure more secure by discrediting the acts and policies of the preceding régimes, the leaders of the new Governments perceived one method of achieving this end by throwing open the national archives in the hope that historical editors might discover therein evidence of responsibility on the part of the former governing groups for the inundation of blood, misery and sorrow which swept over Europe after 1914. In addition to these voluntarily opened archives, the Germans seized the Belgian archives during the war and published collections of extracts. Then B. de Siebert, Secretary to the Russian Embassy at London in the period before the war, secretly made copies of the important diplomatic exchanges between London and St. Petersburg from 1908 to 1914, and later gave or sold them to the Germans.

The nature of the European diplomatic and military alignments in 1914 ac-

counts for the fact that these revelations are reasonably adequate to settle the problems concerning the declarations of war in 1914, despite the further fact that England, France and Italy have refused to make their archives accessible to scholars. Inasmuch as Italy was technically allied with Germany and Austria in the Triple Alliance, the nature of much of her foreign policy and many of her diplomatic engagements may be gleaned from the German and Austrian archives. But she was at the same time secretly negotiating with France, and, after 1914, with the members of the Triple Entente. This material is, in large part, available in the documents in the Russian archives. England and France having been the other members of the Triple Entente, the secret diplomacy of this group is reasonably covered in the Russian archives and the Siebert documents, which are now duplicated in part in the publications from the Russian archives, though it would be desirable to know more of any possible secret Franco-British exchanges not revealed to Russia. The French have, of course, published some of their documents in the various *Livres Jaunes*—the most important of which is that on the Balkan policy (1922), but they are officially edited and the incriminating documents are, naturally, suppressed.

Although a vast number of documents in the archives of Germany, Austria and Russia have not yet been published, the collections thus far available are impressive. The diplomatic documents covering the broad historical background of the Austrian crisis of 1914 are presented in the admirable collection of Professor A. F. Pribram.² The documents in the Austrian archives dealing with the month preceding the outbreak of the World War have been edited by the publicist and scholarly journalist, Roderich Gooss, in the three volumes of the *Austrian Red Book*.³ In Germany an even more voluminous col-

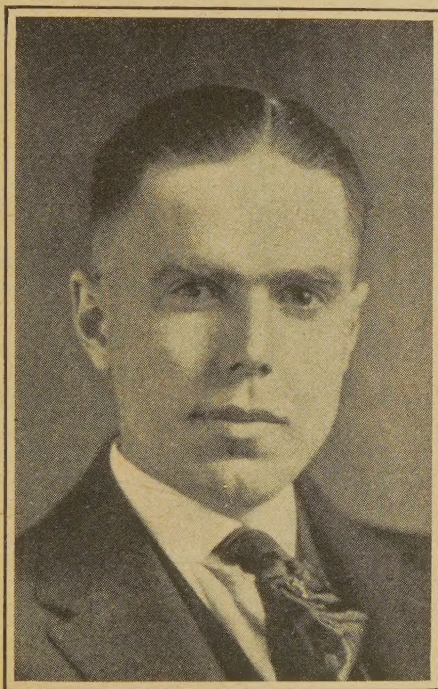
of detail. Professor Schmitt has rendered the special courtesy of allowing me to read in manuscript his important article on "The Triple Alliance and the Triple Entente," to be published in the *American Historical Review* for April, 1924.

²The Secret Treaties of Austria-Hungary, 1879-1914. The American edition was supervised by Professor A. C. Coolidge and published by the Harvard University Press, 1920. It should be pointed out that Pribram's work is not yet finished. He is waiting for the complete publication of the German documents.

³Diplomatische Aktenstücke zur Vorgeschichte des Krieges, 1914. 3 Volumes, Vienna, 1919. These are now available in English translation.

lection on the diplomacy of Germany and related countries from 1871 to 1914 is in process of publication under the editorship of J. Lepsius, A. M. Bartholdy and F. Thimme. This embraces all the important diplomatic documents in the German Foreign Office; some twelve bulky volumes have already appeared. It is the most extensive publication of this sort yet undertaken in any country.⁴ The documents dealing with the antecedents of August, 1914, were extracted from the German archives by the German Socialist, Karl Kautsky, and published in four volumes under the editorship of the eminent scholars, W. Schücking, M. Montgelas and A. M. Bartholdy.⁵ A supplementary collection has been more recently published which embodies: (1) The testimony of leading Germans in military, diplomatic and business life before a committee appointed by the German post-war Government to investigate the responsibility for the war; (2) the records of the reaction of Germany to Mr. Wilson's peace note of December, 1916, and (3) the negotiations between Germany and her allies, and Germany and the United States concerning submarine warfare and the policies which produced the entry of the United States into the World War.⁶

No Russian documents have been made available as yet which cover so ample a historical background as the work of Pribram and the published volumes of the Lepsius-Bartholdy-Thimme collection. The Siebert documents⁷ deal only with the period from 1908-1914.



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The *Livre Noir* (Black Book) is the other important publication of the Russian documents. It was collected by René Marchand, a scholarly French Socialist and journalist thoroughly familiar with the Russian language and with Russian public life and politics. It presents in detail the Russian diplomatic documents of the years 1910-1914, particularly stressing Franco-Russian relations and policies. This is the most important published collection of Russian source material.⁸ The newly accessible archival material has enabled

scholars to check up on the collections of apologetic or extenuating documents published by the great powers in the early days of the war. A step in this direction has been taken by G. von Romberg, who has brought out a publication of the actual exchanges between Paris and St. Petersburg following the sub-

⁷Entente Diplomacy and the World, 1909-1914. New York: Knickerbocker Press, 1922. It is asserted in some quarters that Siebert has held out the documents most incriminating to the Entente and is still holding them for a higher price than has been offered. It is as yet impossible to prove or disprove this allegation.

⁸Un Livre Noir: Diplomatie d'Avant-Guerre d'après les Documents Russes, Novembre, 1910, Juillet, 1914. 2 volumes, Paris, 1922-23. A brief collection of these Russian documents was published in Paris as early as 1919 under the editorship of Emile Laloy. It is important as containing the secret Russian conference in February, 1914, on the desirability of seizing the Straits. (Pp. 74-100.)

⁴Die Grosse Politik der Europaischen Kabinette, 1871-1914. Berlin, 1923.

⁵Die Deutschen Dokumente zum Kriegsausbruch, 4 Volumes, Charlottenburg, 1919.

⁶Official German Documents Relating to the World War. Carnegie Endowment for International Peace. 2 Volumes, New York: Oxford University Press, 1923.

mission of the Austrian ultimatum to Serbia on July 23, 1914. This lays bare the serious and important suppressions in the original Russian Orange Book, which eliminated all the damaging evidence regarding conciliatory German proposals or aggressive Franco-Russian aims and policies.⁹ Also from the Russian archives has come the recently published collection revealing Italy's dickerings with the Entente for territorial cessions from 1914 to the time of her entry into the World War in May, 1915.¹⁰ The Belgian documents published by Germany embrace chiefly the dispatches and opinions of the Belgian ambassadors in the major European capitals following 1886, playing up especially those which express fear of Entente collusion and alliance. Highly selected and one-sided, the collection is of real value as proving that the Belgians were alarmed by the policies of States other than Germany and incidentally vindicating beyond any doubt the neutrality of official Belgian opinion as a whole before 1914.¹¹ Finally, we have the depressing Secret Treaties of the Entente, which eliminate once and for all any basis for the hypothesis of idealism underlying the military activities of either side in the World War, and convict the Allies of aggressive aims as thoroughly as Grumbach's "Das Annexionistische Deutschland" proves Germany and Austria guilty of similar ambitions.¹²

These collections of documents have been supplemented by a vast number of apologetic and controversial memoirs, reminiscences and autobiographies which possess highly varied value and relevance, and by infinitely more important scholarly monographs analyzing in detail one or another of the many diplomatic and political problems and

situations lying back of the World War.¹³ It is upon such material as this that we are able to construct a relatively objective and definite estimate of the causes of and responsibility for the great calamity of 1914-18 and its aftermath. It is quite evident that if any account written prior to 1919 possesses any validity whatever or any approximation to the true picture of events, this is due solely to superior guessing power or good luck on the part of the writer, and in no sense to the possession of reliable or pertinent documentary evidence.

THE PRE-WAR SITUATION

The causes of the World War involve the greatest multitude of factors, ranging from the most general and cosmic to the most detailed and personal; from the persistence of the tribal hunting-pack ferocity in mankind and the pressure of growing populations upon limited habitats and natural resources to the foolhardy conduct of the Austrian Archduke on the day of his assassination, the psychic state of the Kaiser on July 5, 1914, and the intimidation of the Czar by militaristic advisers late in July, 1914. Though no reputable historian would doubt that the World War grew out of the economic and nationalistic situation from 1870 to 1914, there seems little of the inevitable in the alignments or historic circumstances that produced the war. States which were allied in 1914 clashed seriously in the preceding generation—England with France and Russia with England. Russia was on fairly friendly terms with Germany until the retirement of Bismarck. Germany was cordial to England in the early nineties, alienated her after 1895, and then adjusted satisfactorily to both parties the outstanding diplomatic difficulties of two decades two weeks before the assassination of the Archduke. Russia several times indicated a willingness to sacrifice other Slavic peoples to gain her own imperialistic and territorial ends. There

⁹Falsifications of the Russian Orange Book. New York: Huebsch, 1923.

¹⁰L'Intervenzione dell' Italia nei Documenti Segreti dell' Intesa. Rome, 1923.

¹¹Belgische Aktenstuecke, 1905-1914. Berlin, 1915. Zur Europaischen Politik, 1886-1893, 1897-1914. 5 Volumes, Berlin, 1919-22. These collections are edited by B. H. Schwertfeger. Some of them (1905-14) have appeared in English translation.

¹²These treaties were printed in The New York Evening Post early in 1918 as a result of their revelation by the Bolsheviks. They are analyzed by R. S. Baker in his work, "Woodrow Wilson and the World Settlement." Mr. Baker defends the almost unbelievable assertion that Mr. Wilson left for the Peace Conference nearly a year later with no knowledge of their nature or contents.

¹³The best summary of this literature is contained in G. P. Gooch's "Recent Revelations on European Diplomacy," Journal of the British Institute of International Affairs, January, 1923.

were strong groups in both France and Germany that desired a rapprochement between these States.

The gradual shaping of European diplomatic behavior creating the crisis of 1914 seems to rest primarily upon three major elements or inciting factors. One was the imperialistic and Pan-Slavic ambitions of Russia, who desired to dominate the Near East, to control the Straits leading from the Black Sea to the Aegean, and to draw under her diplomatic aegis the lesser Slavic peoples of Europe. These aspirations, however, cut directly across the major ambitions and policies of the polyglot Dual Monarchy of Austria-Hungary, whose very existence depended upon repressing or abating the Slavic nationalism of a large portion of her population. In these policies she was naturally encouraged by her ally, Germany, who desired to have as strong an associate as possible, who had, herself, a definite reason for wishing to realize an Austro-German hegemony in the Balkans as the first link in the "Berlin-to-Bagdad" railroad scheme.¹⁴ Then there was the underlying hatred of Germany cherished by the French military group and "Revanchards" (the group committed to the project of a war of revenge) growing out of the sting of the unexpected defeat in 1870-71. Not even Caillaux was able to overcome this. Nothing short of a voluntary cession of at least Lorraine would have satisfied France, and there were important historical and economic reasons why Germany would not consent to any such proposal.¹⁵ To these three major factors in the background might be added the remarkable economic and commercial development of

Germany, leading to the growth of the volume and scope of German commerce, the rise of German naval ambitions, and a resulting rivalry with Great Britain in trade and maritime armament. There might also be mentioned the diplomatic clashes of Germany and England over the Boer War and the Bagdad railroad.¹⁶

On these foundations the familiar alignments of 1914 began slowly to take form. Austria and Germany were gradually isolated, and France, Great Britain, Russia and Italy began to draw together. Italy was ostensibly a member of the Triple Alliance until 1914, but we now know that she was not a loyal member at any time during the present century, and that, by 1902, she had an understanding with France that she would not join any other State in a war upon the French Nation.¹⁷ As Professor Schmitt has pointed out (*loc. cit.*, references in footnotes 25-30), however, it is to be borne in mind that the Italian Foreign Minister from 1910 to 1914, the Marquis of San Giuliano, took a renewed interest in the part of Italy in the Triple Alliance, and that Italy was on better terms with her old allies than at any previous time after 1902. Moltke, in 1914, counted definitely on Italian military aid in the World War.

Along with the diplomatic arrangements and entanglements went an ominous and expensive armament race. Americans have been accustomed to regard the increase of land and sea armament from 1890 onward as primarily a German phenomenon, initiated by her, and reluctantly, lamely and ineffectively imitated as a defensive policy by

¹⁴G. P. Gooch, *Modern Europe*, Chap. xiii.; B. E. Schmitt, *England and Germany, 1740-1914*, and A. W. Ward and G. P. Gooch, *Cambridge History of British Foreign Policy*, Vol. III., pp. 263-86, 294-301, 385-94, 456-85.

¹⁴Important surveys of these diplomatic and political problems are to be found in R. W. Seton-Watson et al., *The War and Democracy*, Chaps. iv.-v.; Seton-Watson, *The Southern Slav Question and the Hapsburg Monarchy*; E. Schevill, *A History of the Balkan Peninsula*; E. M. Earle, *Turkey, the Great Powers and the Bagdad Railroad*; H. Friedjung, *Das Zeitalter des Imperialismus*; E. Durham, *Twenty Years of the Balkan Tangle*; S. A. Korff, *Russia's Foreign Relations in the Last Half Century*; Pribram, *op. cit.*; Fischel, *Der Panславismus*; Pilar, *Die Suedslawische Frage und die Weltkrieg*; L. Mandl, *Oesterreich-Ungarn und Serbien*; and *Die Hapsburger und die Suedslawische Frage*.

¹⁵See G. P. Gooch, *Franco-German Relations, 1871-1914*; H. A. L. Fisher, *Studies in History and Politics*, pp. 146-61, and E. R. G. Curtius, *Maurice Barres and die Geistigen Grundlagen des Franzoesischen Nationalismus*. This work is very critical.

¹⁷There are many important works on European diplomacy since 1870, but those written before 1921 were not based upon the new and indispensable documents and must therefore be disregarded by the general reader. The only thorough and reliable book utilizing the new evidence is G. P. Gooch's *History of Modern Europe, 1878-1919*, which is the unrivalled diplomatic history of the period since 1870 and supplants all earlier works. Other more special works based on the recently published documents and of high value and impartiality are A. F. Pribram, *Austrian Foreign Policy, 1908-1918*; J. V. Fuller, *Bismarck's Diplomacy at its Zenith*, and the already cited works, G. P. Gooch, *Franco-German Relations, 1871-1914*, E. M. Earle, *Turkey, the Great Powers and the Bagdad Railroad*; and F. Rachfahl, *Deutschland und die Weltpolitik, 1871-1914*.

Russia, France and Great Britain. This has been due partly to the fact that the Kaiser's vocal exuberance on military matters made good newspaper copy, and partly to the further fact that the great majority of our own news concerning Germany came to us through the *Harmsworth* and other English papers which were strongly anti-German in tone. If possible, there has been an even more mistaken impression on this point than with respect to the view that Germany was solely responsible for the World War. The sober facts indicate that Germany and Austria were together maintaining an armament establishment on land and sea only a little more than half as extensive or expensive as that of England, France and Russia combined. France, usually represented as pacific, unprepared and defenseless, was in 1913-14, planning an army two-thirds larger per capita than that contemplated by Germany in her latest military bill before the World War.¹⁸

Stress has been laid upon the peculiar and unique danger of the linking of autocracy and militarism in Germany and Austria. Such a combination is doubtless dangerous and deplorable, but it was not more noticeable in Germany and Austria than in Russia. We shall probably have to go further, however, and admit that it is the military attitude and the war spirit which is a menace, and that this will exist, if unchecked, in a democracy as well as in an autocracy. The old notion that democracy and militarism and war are mutually irreconcilable must be put aside as groundless illusion. The war spirit in the British Navy and in the militaristic group in France was about as virulent and aggressive as that of Potsdam or Vienna from 1912-1914. If war is to be obstructed and ultimately eliminated, it is militarism and nationalism which must be directly attacked; little will be achieved by merely altering political institutions.¹⁹

In addition to these menacing general alignments and diplomatic antagonisms, it is essential to understand that there was especially high tension in the Spring of 1914. It has usually been believed by the average intelligent citizen in America that the World War broke like a storm out of a clear sky; that Europe had settled down rather peacefully after the last Morocco crisis and was calm and unperturbed until June 28, 1914. Nothing could be further from the facts in the case. The assassination of Franz Ferdinand was merely the culmination of a veritable fear-neurosis on the part of the European Governments. In 1913 Germany and France provided for great increases in their land armament, and England began what almost might be called war measures in her navy organization and procedure. In the Spring of 1914 Austria could scarcely restrain herself from attacking Serbia, in spite of German opposition in the previous year. Germany was frightened by the cumulative progress of the Franco-Russian rapprochement and the substitution of a more chauvinistic French Ambassador at St. Petersburg, and even more by the Russo-British naval conversation of 1914. German soldiers, statesmen and publicists openly declared that, though pacific in intent, Germany was prepared for a vigorous defense against a wanton attack. Russia was controlled by the militaristic group, who were encouraged by Poincaré and his followers in France. The Russians boasted that they, too, were ready for the test of arms and contended that France should also be found thoroughly prepared. By the middle of June this feverish excitement and mutual suspicion had become alarmingly apparent alike to domestic observers and to foreign visitors. A crisis in such a state of affairs was likely to precipitate a panic and make it difficult to obstruct and control headstrong and arbitrary action. Such was the European situation when Franz Ferdinand, heir to the Austrian throne, was slain in Serajevo on June 28, 1914.²⁰

¹⁸See A. J. Nock, *The Myth of a Guilty Nation*, pp. 23-6; M. Montgelas, *Leitfaden zur Kriegsschuldfrage*, pp. 81-5, and the judicious analysis of the whole problem in A. G. Enock, *The Problem of Armaments*.

¹⁹See the interesting article by Professor George H. Blakeslee, "Will Democracy Alone Make the World Safe?" in *Journal of Race Development*, April, 1918.

²⁰G. P. Gooch, *History of Modern Europe, 1873-1919*, Chap. XV.; C. A. Beard, *Cross-Currents in Europe Today*, Chaps. I-III.; W. S. Churchill, *The World Crisis, 1911-1914* (on war plans of British Navy from 1912-1914).

The only light relieving the darkness of the situation was the successful culmination of the Anglo-German negotiations concerning the Near East, but before this could effect any readjustment of the European diplomatic situation, the Continent was plunged into universal carnage.²¹ It is believed by some that if sufficient publicity could have been given to the Anglo-German settlement, it would have had a sufficiently sobering effect upon the Franco-Russian Imperialists to have postponed or avoided the World War, but it must be remembered that at the same time when England was negotiating successfully with Germany over the Near East she was negotiating secret naval agreements with France and Russia against Germany.

While this article is devoted chiefly to an analysis of the responsibility for the outbreak of hostilities, the writer is inclined to the view of Professor B. E. Schmitt, expressed in the *American Historical Review* for April, 1924, that the real causes of the World War must be sought in this general diplomatic background which made the conflict inevitable, once an important and crucial issue arose between the Triple Alliance and the Triple Entente:

The causes of the great war have been analyzed from many points of view. The explanation usually offered is the vaulting ambition of this or that great power, Germany being most often selected as the offender. Persons internationally minded insist that rabid nationalism was a universal disease and draw vivid pictures of the European anarchy. The pacifist points to the bloated armaments, and the Socialist can see only the conflict of rival imperialisms. Facts galore can be cited in support of each thesis. Yet no one of these explanations is entirely satisfactory, or the lot of them taken together. Why should the different kinds of dynamite explode simultaneously in August, 1914? Why, for instance, should a war break out between Great Britain and Germany at a moment when their disputes were seemingly on the verge of adjustment? There must have been some connecting link which acted as a chain of powder between the various accumulations of explosive material. And so there was; as one peruses the innumerable memoirs by politicians, soldiers and sailors, from the German Emperor to obscure diplomatists, or tries to digest the thousands of documents published since 1918 from the German, Austrian, Serbian, Russian, French, Belgian and British archives, the conviction grows that it was the schism of Europe in Triple Alliance and Triple Entente which fused the various quarrels and forces into one gigantic struggle for the balance of power; and the war came in 1914 because then, for the first time, the

lines were sharply drawn between the two rival groups, and neither could yield on the Serbian issue without seeing the balance pass definitely to the other side.

DISTRIBUTION OF RESPONSIBILITY

AUSTRIA—Before discussing the policies and conduct of Austria, it is desirable to understand clearly the nature of the Austro-Serbian situation. Serbia, like the majority of the Balkan States, was a backward political society, in which intrigue, murder and wholesale assassinations had not yet been transformed into orderly party government. It was also inflamed by an intense nationalism, fed by the sufferings and aspirations of centuries of repression. In June, 1903, the reigning royal family, their ministers and over fifty prominent sympathizers and supporters were murdered and a new dynasty under King Peter established. The new dynasty was the rallying point of the Yugoslav nationalism, which looked to Russia for protection and encouragement. But the integrity of the Dual Monarchy depended upon holding in leash Slavic nationalism and the Pan-Slav program. The stage was thus set for continual and serious friction.²²

This first came to a head in 1908, when Izvolsky, then the Russian Foreign Minister, proposed to the Austrian Minister, Count Aehrenthal, that Austria annex Bosnia and Herzegovina, two Serb districts near the Adriatic, then under the nominal control of Turkey. This had after 1903 been a secret Austrian ambition, but no Austrian statesman had dared to think of it as a practical step, for it involved a violation of the Treaty of Berlin of 1878, and it had been supposed by the Austrians that Russia would make a vigorous protest against any such proposal. Izvolsky intimated, however, that Russia would be placated by Austro-German pressure on Turkey to open the straits to the Russian navy.²³

²¹Schevill, *op. cit.*, pp. 456-61; Seton-Watson, as above; A. Moussett, *Le Royaume des Serbes, Croates et Slovenes*, Mandl, *op. cit.* It is interesting to note that from 1903 to 1908 Edward VII. was the most consistent of the European monarchs in boycotting the new Serb dynasty.

²²Gooch, *Modern Europe*, pp. 410-26. The great authority on the Bosnian crisis is Friedjung, *op. cit.*, Vol. II.; see also E. Molden, Graf Aehrenthal; and Holjer, *Le Comte Aehrenthal et la Politique de Violence*.

²³Earle, *op. cit.*, pp. 258-65.

Once Aehrenthal discovered that Russia would not be likely to object, he planned and carried through the annexation with a gusto that surprised and annoyed Izvolsky and led him to deny some of his earlier suggestions and assertions. The annexation was made feasible by the Young Turk Revolution of 1908, which weakened Turkish resistance. Serbia protested sharply, but as she found herself deserted by Russia, in the end had to accede. We have entertained an altogether false notion as to the part of Germany in this transaction. The pressure which she applied to Russia was very slight. One of Izvolsky's assistants has gone so far as to hold that Germany's conduct in the circumstances was, in reality, a great favor to Russia. The "shining armor" statement of the Kaiser was merely a picturesque and bombastic mode of giving public notice of the firmness of the Austro-German understanding, not unlike Lloyd George's speech at the time of the second Morocco crisis. The annexation, however, created bitter feeling. Serbia never ceased from that time to plot against Austria, and Russian statesmen, not always fully informed as to how the annexation program was initiated, felt that Russia had been humiliated and discredited as the leader of the Pan-Slavic movement and "big brother" to the lesser Slavic States.²⁴ Even more resentment was generated in official Russian circles over the failure to secure the opening of the Straits, this proposal having actually been blocked by Great Britain.²⁵ Not even the treaty of 1910 with Germany over the Bagdad Railway was adequate to restore good relations. This Russian antipathy toward Germany was speedily recognized and eagerly exploited by the French Nationalists and Militarists, who were just then being united under the leadership of Poincaré.²⁶

SERB INTRIGUE AGAINST AUSTRIA

Another crisis was precipitated in 1912-13 by the Balkan wars, and Austria was prevented from making war on Serbia only by the firm opposition of Germany.²⁷ As it was, Austria was able to block Serbia's attempt to gain access to the Adriatic by inducing the great powers to erect the abortive State of Albania. Serbia knew of the aggressive Austrian plans and was greatly incensed by the denial of a port on the Adriatic. Anti-Austrian plots increased in number with the growth of hatred for that State. In the Spring of 1914 a plot for the murder of the heir to the Austrian throne was instigated and planned by one Colonel Dragutin Dimitryevitch, Chief of the Intelligence Bureau of the Serbian General Staff, and a notorious plotter and assassin. He apparently lost courage at the last moment and tried to call off the execution of the plan when it was too late.²⁸ This is a fact not known to Austria in 1914, though she suspected a Serbian plot and did her best to uncover it. She had no success, however, at the time. On July 13, 1914, Berchtold's private agent, Wiesner, reported after a thorough investigation at Sarajevo that "There is nothing to prove, or even to cause suspicion of the Serbian Government's cognizance of steps leading to the crime or of its preparing it or of its supplying the weapons. On the contrary, there are indications that this is to be regarded as out of the question." Hence, our present knowledge of complicity on the part of certain Serbian military officials is in no sense a justification of the action of the Austrian Government in July, 1914. In fact, it was a knowledge of the apparent falsity of his specific charges against Serbia that made Berchtold determined to keep the matter from a European congress of in-

²⁴Gooch, *Modern Europe*, pp. 417-26; see list of authorities page 410, footnote 2.

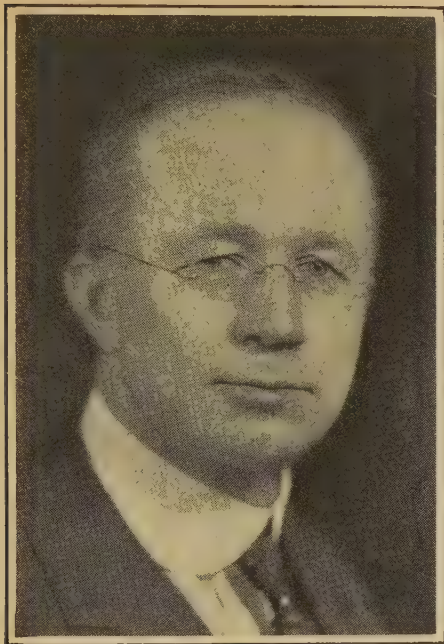
²⁵Cambridge History of British Foreign Policy, Vol. III., pp. 404-5.

²⁶The best presentation of the case against French militarism under Poincaré is contained in four one-sided books which need to be used cautiously, but have never been adequately refuted by Poincaré and his apologists. They are: F. Gouttenoire de Toury, *La Politique Russe de Poincaré*; and by the same author, *Joures et le Part de la Guerre*; P. Bausman, *Let France Explains*; and A. H. Fevet, *Les Responsables de la Guerre*.

The documentary evidence on this point is assembled in Marchand, *Un Livre Noir*, particularly Vol. II.; and the Siebert Documents (*Entente Diplomacy*).

²⁷This matter is most adequately analyzed in M. Montgelas's *Leitfaden zur Kriegsschuldfrage*, pp. 36-68, especially pp. 62-65.

²⁸S. Stanojevic, *Die Ermordung des Erzherzogs Franz Ferdinand*. It appears that the plans for the assassination were due to the fact that the Russian General Staff passed on to the Serbian General Staff the incorrect information that in their visit of June, 1914, the Kaiser and Franz Ferdinand had agreed upon a joint Austro-German attack on Serbia.



SIDNEY BRADSHAW FAY

Professor of European History, Smith College, since 1914; the first American scholar to make a thorough study of the recently published documents on the origins of the war and to judicate their significance for a reassessment of war guilt

vestigation and mediation. On the other hand, there was ample evidence of dangerous and continuous Serbian intrigue against Austria, whatever Serbia's part may have been in the plot against Franz Ferdinand. The assassins of Franz Ferdinand were members of one of these anti-Austrian secret societies.²⁹

In briefly summarizing the Austrian action and policy from June 28 to August 1, it is necessary to keep clearly in mind that though Berchtold, as Foreign Secretary, was formally responsible for the negotiations, he was but a figure-head. Szilassy, Kanner and Hötendorf have made it most evident that he was but a vain, lazy, weak-willed, vacillating tool, dominated entirely by the war party led by Hötendorf, the chief-of-staff, aided and abetted by Forgách, Hoyos, Bilinski, Stürgkh, and by

sympathetic or docile subordinate officials in the Foreign Office.³⁰ It was at one time believed that Berchtold was urged on by Tschirschky,³¹ the German ambassador at Vienna, but though Tschirschky was more belligerent, after July 5, than the Kaiser or Bethmann Hollweg, he was so much more moderate than Hötendorf and his group as to seem a pacifist by comparison.³² Thoroughly at the mercy of the war party, and not reluctantly so, Berchtold drew up a letter to the Kaiser signed by the aged Austrian emperor, Franz Josef, stressing the fact that unless vigorous action was taken against Serbia there was little hope that the Austrian Empire could be kept intact. This was delivered on July 5. The Kaiser expressed sympathy with, and approval of, the Austrian position as stated in the letter, gave assurance of German support, and declared it to be his opinion that it was improbable that Russia would take up arms in defense of Serbia. In the evening he talked over the matter with Dr. von Bethmann-Hollweg, the Chancellor, and Dr. Zimmermann, the Under-Secretary for Foreign Affairs.

A FATEFUL DECISION

On July 6, as the Kaiser was leaving on his annual northern cruise, von Bethmann Hollweg communicated to Szögyény, the Austrian Ambassador at Berlin, the ominous decision as to Germany's position. It was as follows: "Austria may judge what is to be done to clear up her relation with Serbia; whatever Austria's decision may turn out to be, Austria can count with certainty upon it that Germany will stand

²⁹J. von Szilassy, *Der Untergang der Donau-Monarchie*; H. Kanner, *Kaiserliche Katastrophen-Politik*; C. von Hötendorf, *Aus Meiner Dienstzeit*, 1906-1918. Szilassy's book is much the most important as demonstrating Berchtold's nominal responsibility for Austria's policy in July, 1914, and the real responsibility of the Hötendorf-Forgách crowd. Professor Fay, however, believes that the crisis of July, 1914, stiffened up Berchtold and made him more of an active and responsible person than was normally the case.

³⁰Sidney B. Fay, "New Light on the Origins of the World War," in *American Historical Review*, July and October, 1920, and January, 1921; July, 1920, pp. 634-5; Gooch, *Modern Europe*, p. 555; Friedjung, op. cit., Vol. III.

³¹See the violent diatribe against Tschirschky by A. Dumaine, French Ambassador at Vienna from 1912-14, in his *La Dernière Ambassade de France en Autriche*. B. W. von Buelow, *Die Krisis*, pp. 55-6, gives ample evidence of Tschirschky's relative caution and timidity.

³²Fay, loc. cit. (July, 1920), *passim*, especially pp. 631-2 and p. 639, footnote 83.

behind her as an ally and friend."³³ This crucial blank warrant was to prove the undoing of the Dual Monarchy and the German Empire. When it was too late, the Kaiser recognized the folly of such a commitment, and on July 30 exclaimed in desperation that he and Bethmann Hollweg had been stupid enough to put their necks into a noose,³⁴ an expression of regret which was not duplicated by Poincaré or Grey when they found themselves involved by giving Russia a free hand in the Balkans.

These talks of the Kaiser with Szögyény, Bethmann Hollweg and Zimmermann and an unimportant brief conference with Falkenhayn, the Prussian Minister of War, on July 5, constitute all there actually was of a "Potsdam Conference," which, starting as a bit of wild gossip on the part of a waiter in a Berlin restaurant, developed into the luxuriant and voluptuous legend with which Ambassador Henry Morgenthau regaled the English-speaking world in 1918. Before leaving, early on the morning of July 6, for his cruise, the Kaiser talked with army and navy officials to inform them of the possibility of war, but asserted that he did not think it sufficiently probable to warrant cutting short the furloughs of army and navy chiefs who were away on their vacations. Nor did he consider the situation serious enough to remain until the return of his Secretary of Foreign Affairs.³⁵

AUSTRIAN MILITARISTS FOR WAR.

The delay of the Austrians from July 6 to July 23 in sending the ultimatum to Serbia, originally attributed to the necessity, made clear at the "Potsdam Conference," of having a couple of weeks to arrange the German financial and military situation for imminent and deliberate war, was actually due to the desire to get the report of Wiesner as to Serbian complicity in the assassination, the necessity of winning over

Count Tisza, the Hungarian Prime Minister, to the war policy, and the decision to wait until President Poincaré of France had terminated his visit to Russia. There can be no doubt, however, that the Hötendorf group, with Berchtold as their mouthpiece, had determined upon war long before the delivery of the ultimatum of July 23 and irrespective of any reply which Serbia might make. The Austrian army was promptly mobilized on the Serbian boundary on July 25, in the determination to forestall any attempt of intervention and arbitration. On July 28, in spite of the humble Serbian reply, which satisfied the Kaiser, von Bethmann-Hollweg and von Jagow, Austria declared war on Serbia. There seems little probability, even if Germany and Russia had delayed their hostilities, that Austria could have been coerced into reason unless Germany had been willing to stand aside and let Russia make war upon her unaided ally. But there is no evidence that Russia was any more eager to make war upon Austria than upon Germany.³⁶ "The readiness of Austria," says Gooch, "for an eleventh-hour compromise, of which we heard so much at the beginning of the war, proves to be a legend."³⁷

Though we must recognize the perverse, determined and arbitrary action of Austria in this crisis, which unquestionably carries with it the ultimate responsibility for the outbreak of the European war, the historian must also point out that it was a life or death proposition on the part of Austria to crush the Serbian plots, however natural and just these may have seemed to Serbia.³⁸ And, further, arbitrary and per-

³³Ib., pp. 625-7; Gooch, *Modern Europe*, pp. 532-4.

³⁴Fay, *Ibid.*, p. 628, and footnote 38.

³⁵Fay, *Ibid.*, pp. 628-32; Kanner, Montgelas and V. Valentin, *Deutschlands Aussenpolitik, 1890-1918*, demonstrate at even greater length the myth of the Potsdam conference.

³⁶Fay, *loc. cit.* (July and October, 1920), especially pp. 632-38. The most detailed and reliable treatment of Austrian diplomacy in July, 1914, is contained in the works of Szilassy, Kanner and Valentin, and R. Gooss. *Das Wiener Kabinett und die Entstehung des Weltkrieges*, the most voluminous analysis. Though German and Austrian writers, all four were noted critics of Macht- und Realpolitik in their respective countries and their works are in no sense apologetic for those responsible for the Austro-German policy of 1914. No historian in any country has written more competently or objectively upon the origins of the war than Valentin, whose work is the best study we yet have of the diplomacy of Germany and Austria in 1914. He places the responsibility primarily upon Russia and Austria, in the order given.

³⁷Gooch, *Recent Revelations on European Diplomacy*, *loc. cit.*, p. 18. For full details of Austrian duplicity see Fay, *loc. cit.* (October, 1920), pp. 45-49.

³⁸Friedjung, *op. cit.*, Vol. III.

empty as the ultimatum to Serbia was, it certainly was not more so than our demands upon Mexico at the time of the invasion by the Pershing expedition, with no more justification. As Gooch has well put the matter:

It was natural that Austria should defend herself against the openly proclaimed ambition to rob her of provinces which she had held for centuries. After the Bosnian crisis Serbia had promised to be a good neighbor; but she had not kept her word, and her intrigues with Russia were notorious. To stand with folded arms and wait till her enemies felt strong enough to carry out their program of dismemberment was to invite disaster; and the murder of Francis Ferdinand by Yugoslav assassins appeared to demand some striking vindication of the authority of the State. The ultimatum to Serbia was a gambler's throw; but to the statesmen of Vienna and Budapest it appeared to offer the best chance of escape from a terrible danger which was certain to increase and which challenged the existence of Austria as a great power.³⁹

GERMANY—In regard to Germany, the first point to be kept in mind is the military tradition which she inherited from the Bismarckian era. The conventional notions in this matter are usually quite correct as to the absolute degree of German militarism, but they are, for the most part, grotesquely exaggerated as to its uniqueness and relative extent and aggressiveness. No doubt Bismarck did bully France somewhat during his Chancellorship, but the French "Revenge" group was irreconcilable, and Paul Déroulède preached the crusade of recence not only in France but throughout the Continent. There were as many in Germany who would have welcomed the conciliatory program of Caillaux as there were Frenchmen who gave him loyal support. Germany was well aware of the strength of the revenge motive in the Franco-Russian alliance.⁴⁰ The Pan-German League, so much denounced during the war in fantastic books like those by André Chéradame and R. G. Usher, appears to have been little more than a small but noisy group of fanatical pa-

triot and imperialists of little standing or influence in Germany.⁴¹

Germany's attitude toward Russia was determined primarily by the fact that she was the chief ally of Germany's inveterate enemy and the enemy of her main ally. There was some further mutual enmity based upon discriminatory tariffs and Russian opposition to German plans in the way of imperialism in the Near East.⁴² Germany understood that her future security depended primarily upon maintaining the strength and integrity of the Dual Monarchy. Otherwise she would be wholly isolated and surrounded by hostile and powerful States. The ascendancy of Austria in the Balkans was also essential to the plans of Germany for developing the Near East. Germany thus had a definite and direct interest in the suppression of so evident a menace to the permanence of Austria-Hungary as the rapid growth of Yugoslav nationalism. It should be pointed out, however, that up to 1914, in spite of opposition of interests, there was surprisingly little hostility on the part of Germany toward Serbia. As late as July 1, 1914, Tisza complained of the Kaiser's partiality for Serbia. In order properly to understand the Kaiser's reaction to the murder of the Archduke, one has to combine with this general background his friendship with Franz Ferdinand, his recent visit with him, and, above all, the shock caused by the assassination of a member of a royal family, particularly one so close to the Hohenzollerns as the Hapsburgs. He had even been profoundly moved by the assassination of President Sadi Carnot of France in 1894 and of King Humbert of Italy in 1900.⁴³

Whether he was right or wrong, it is, therefore, easy enough to see why the

³⁹For this statement I am indebted to the conclusions of the most thorough and scholarly study yet made of the Pan-German League in a doctoral dissertation about to be published by Miss Mildred S. Wertheimer at Columbia University.

⁴⁰Gooch, *Modern Europe*, pp. 501-25; Korff, op. cit.; A. Hedenstrom, *Geschichte Russlands von 1878 bis 1918*; R. Pohl, *Russland und das Deutsche Reich*.

⁴¹The most detailed and accurate sketch of the Kaiser in relation to German foreign policy is contained in the five works by Otto Hammann, chief of the Press Bureau of the German Foreign Office, *Der Neue Kurs; Zur Vorgeschichte des Weltkrieges; Um den Kaiser; Der Missverständnisse Bismarck; and Bilder aus der Letzten Kaiserzeit*.

³⁸Gooch, op. cit., p. 555.

⁴⁰A good description and criticism of militaristic Germany is contained in the book by the German pacifist, F. Foerster, *Mes Combats à l'Assaut du Militarisme et de l'Imperialisme Allemand*. On Franco-German relations see Gooch, *Franco-German Relations, 1871-1914*; J. Caillaux, *Agadir, Ma Politique Extérieure*; and P. Albin, *L'Allemagne et la France*. The most thorough study of German foreign policy is that by F. Rachfahl, *Deutschland und die Weltpolitik, 1871-1914*. For the pacific group in Germany see H. Wehberg, *Die Führer der Deutschen Friedensbewegung*.

Kaiser should have been in a state of mind to regard the Sarajevo incident as a just basis for strong Austrian action against Serbia, even though it might lead to some possibility of a general European war. He had, however, the best of reasons for believing that the conflict might be localized to one between Austria and Serbia. He felt that the Czar should be as much startled and repelled as himself over the murder of Franz Ferdinand, and he had been assured by the Russian Military Attaché at Berlin that Russia had not been seriously disturbed over the aggressive attitude of Austria toward Serbia in 1913. In the face of these facts it is not difficult to understand why the Kaiser should have been impressed with the letter of Franz Josef and, while still in a highly emotional state, why he should have given Austria a free hand with Serbia on July 5. It is equally clear, in the light of a full knowledge of the circumstances and consequences which we now possess, that it was a most foolhardy policy, which the Kaiser himself bitterly regretted before the month was over.⁴⁴ It must not be forgotten that in 1912 Poincaré deliberately, and with no justification in the way of a crisis, urged Russia to take a firm hand in the Balkans and assured her of French support to the full.

Though the general terms of the Austrian ultimatum to Serbia were agreed upon by the Austrian leaders on July 14, Berchtold deliberately withheld a copy from Bethmann Hollweg and von Jagow, so that they did not obtain it until the evening of July 22, rather late to protest against its delivery. Both pronounced it too harsh and severe. Berchtold likewise held up the humble and conciliatory Serbian reply to the ultimatum, and the German Foreign Office first learned of its nature and contents through the Serbian Minister in Berlin. The Kaiser, von Bethmann-Hollweg and von Jagow were all satisfied with it, and felt that it removed all cause for

war between Austria and Serbia.⁴⁵ The Kaiser commented upon the Serbian concessions as a great diplomatic victory for Austria. "A brilliant result for a time-limit of only forty-eight hours. That is more than one might have expected! A great moral victory for Vienna; but with it, every ground for war disappears, and Giesl ought to have remained quiet in Belgrade." In such circumstances I should never have ordered mobilization."⁴⁶ The Kaiser, on July 27-29, endeavored to mediate between Russia and Austria, both on his own initiative and in cooperation with Sir Edward Grey, but the Austrian Government deliberately refused to answer his telegrams containing the suggestion and offer of mediation. The real earnestness of von Bethmann Hollweg in his effort to restrain Austria is well brought out in the following telegram sent to Vienna on the early morning of July 30:⁴⁷

If Austria refuses all negotiations, we are face to face with a conflagration in which England will be against us, Rumania and Italy according to all indications will not be for us, and we shall stand two against four powers. Through England's opposition the main blow will fall on Germany. Austria's political prestige, the military honor of her army, as well as her just claims against Serbia, can be adequately satisfied by her occupation of Belgrade or other places. Through her humiliation of Serbia, she will make her position in the Balkans as well as in her relation to Russia strong again. Under these circumstances we most urgently and emphatically urge upon the consideration of the Vienna Cabinet the adoption of mediation in accordance with the above honorable conditions. The responsibility for the consequences which would otherwise follow would be for Austria and for us an uncommonly heavy one.

While Berchtold went through the form of laying this before Franz Josef, Forgách and Hoyos remarked to Tschirschky that any such proposal was a mere joke, in the light of the policy which Austria had determined upon, and in which she was supported by the Austrian people.

As we have seen, the Austrian war party, this time determined not to be

⁴⁴Fay, loc. cit. (July, 1920), pp. 628-9; Beard, op. cit., pp. 22-27. Valentin and Montgelas have explained in the most detail why the Kaiser did not continue his 1913 policy of restraining Austria. The most vigorous assault upon the Kaiser and his policy in 1914 has been made by K. Kautsky, *Wie die Weltkrieg Entstand*.

⁴⁵Fay, *ibid.*, pp. 632-7. Tschirschky must have known of the contents of the ultimatum before July 23, and the responsibility for the ignorance of von Bethmann Hollweg and Jagow may rest in part with him. See Gooch, *Modern Europe*, p. 543 note. There is little probability that Germany would have publicly protested in any event, because of the *carte blanche* to Austria. Bethmann Hollweg might still have telegraphed a protest on the evening of the 22d.

⁴⁶Fay, loc. cit. (July, 1920), p. 637, footnote.

⁴⁷*Ibid.* (October, 1920), p. 45.

obstructed by Germany or any other outside power in their ambition to discipline Serbia, declared war on that country, and then informed Germany that mediation or arbitration was out of the question, as war had already begun and the whole face of the diplomatic situation was changed thereby. The Kaiser and Bethmann Hollweg then devoted themselves to an effort to localize the conflict between Austria and Serbia, but they underestimated the Russian initiative and willingness for war, and their efforts failed.⁴⁸ The victory of the military group at Berlin over the pacific Chancellor was primarily due to the evasive conduct and duplicity of the Vienna authorities. Bethmann Hollweg's program was discredited because he could report no progress on account of Berchtold's delays and deceit. The one real and complete test of the German desire to prevent a general European war was never allowed to come to a trial. If Russia had mobilized solely against Austria, and Germany, justified by Austria's duplicity and arbitrary action, had refused to join her ally, this would have been final proof of Germany's pacific intent. Some have held that the German ultimatum to Russia demanding a cessation of mobilization was a rash and hasty move; counter-mobilization and a continuation of negotiations would have been a more moderate and judicious procedure.

This is doubtless true from the standpoint of diplomatic negotiations, but from what we now know of Russian attitudes and Franco-Russian exchanges between July 29 and Aug. 1, it seems perfectly clear that this would have had no significant results in avoiding the conflict, and from a military standpoint would have been a fatal strategic error. Russia was determined upon war, and Russian soldiers may have invaded East Prussia before the expiration of the German ultimatum, though there is some evidence that Berlin was not fully informed of this fact.⁴⁹ Once Germany was fully convinced that Russia meant

war, her only sane procedure was to get into action as soon as possible against a much more powerful, but more ponderous enemy. At this point the control of the situation was taken out of the hands of the civil authorities and given over to the General Staff. It would, then, seem that the worst that can be said for the Kaiser and Bethmann Hollweg is that they were both stupid, and, further, that the Kaiser was also far too hasty and impulsive, in getting themselves into an inextricable hole by giving Austria a free hand in Serbia, but this is only what they have both admitted. That either had the slightest desire to bring on a general European war is not supported by a shred of evidence. Nothing could be more absurd than the old myth that Austria was about to give in on July 31 when Germany, alarmed at her signs of weakening, rushed in to prevent mediation and make war certain.⁵⁰

RUSSIA—Russian hostility to Germany actually goes back as far as the eighteenth century, though Bismarck did much to allay it. The Kaiser had turned away from Bismarck's Russian policy, and Russian hostility following 1910 was accentuated by the fact that Germany had all but conquered Russia economically. By 1913, 50 per cent. of Russian imports were from Germany, and 35 per cent. of her exports went to Germany. This amounted to four times England's trade with Russia and seven times the trade of France. Along with this went a tariff war, based on the discriminatory and differential tariff scheme common to European States before 1914.

Russia had been disappointed and humiliated in 1908, as a result of the failure to secure the opening of the Straits as compensation for suggesting and acquiescing in the annexation of Bosnia and Herzegovina, and because of her inability in the circumstances to stand forth in the rôle of the defender of

⁴⁸Ibid., Gooch, *Modern Europe*, pp. 538-9, 544-5.
⁴⁹Gooch, *op. cit.*, pp. 547-9. Cf. B. E. Schmidt, in *American Historical Review*, October, 1923, p. 137.

⁵⁰Fay, *loc. cit.* (October, 1920), pp. 51-52; Gooch, *op. cit.*, pp. 535-6. For the opinion of the English Military Attache at Berlin as to the pacific nature of the Kaiser and his reluctance to sign the final mobilization order see *The New York Times*, March 30, 1924, Book Review Section, p. 26.

Slavic nationalism which was more or less implied in her Pan-Slavic program.⁵¹ Her resentment was most opportunely exploited by President Poincaré of France. As Baron Korff points out in his judicious and moderate review of the second volume of Marchand's *Livre Noir*:⁵²

We find new light thrown upon the pre-war attitude of France, strangely but constantly connected with one big name—Poincaré. Pichon, Barthou and many other familiar names are frequently mentioned, but none seems to have played any such prominent rôle in the building up and strengthening of the Franco-Russian alliance as Poincaré; and besides, with a very evident object—steady preparation for the coming conflict with Germany. The reader will put aside this volume with the inevitable conviction that Poincaré long before 1914 had one idea on his mind, the war with Germany. * * * These documents give a most vivid picture of the French pressure exerted on Russia with that one object in view, a war with Germany. At times the Russians were even losing patience with the French, so little did the latter mind the Russian interests; they were willing to lend the Russians money, but only on condition that Russia would increase her army and build new strategic, but otherwise quite useless, railways.

Most significant is the fact that Poincaré in 1912, through Izvolsky, gave Russia a relatively free hand in the Balkans, promising unconditional French support if she was attacked by Austria or Germany. This was two years before the Kaiser's grant of similar freedom to Austria. It is quite apparent, however, from the recent French *Yellow Book* on Balkan affairs that Poincaré, in spite of his encouragement of a strong Russian policy in the Balkans, insisted upon knowing and approving all the Russian acts and policies, in order that France might not be drawn into any conflict which would not advance her general European interests. Among the more interesting of Izvolsky's communications on this point are the following:⁵³

The present Prime Minister and Minister for Foreign Affairs (Poincaré) is an exceedingly great personality and his

⁵¹Gooch, op. cit., Chaps. xii., xv. For a sympathetic study of Russian interests in Serbia and Yugoslav expansion see M. Boghitchewitsch. *Kriegsursachen*; Cf., G. H. Trubetskoi, *Russland als Grossmacht*. It is worth while pointing out, however, that in the Three Emperors' Alliance of 1881 and 1884 Russia conceded to Austria the right to annex Bosnia and Herzegovina whenever she saw fit, but the Hungarians were opposed even to occupation at this time.

⁵²American Historical Review, July, 1923, pp. 747-8.

⁵³Beard, op. cit., pp. 24-27. Also *Entente Diplomacy and the World*, pp. 403-4.

Cabinet shows itself as the strongest combination of power that has existed for a long period of years. * * *

M. Poincaré told me that the French Government is first of all considering the question of possible international eventualities. It quite realizes that t. s. or that event, as for instance, the destruction of Bulgaria by Turkey or any attack upon Serbia by Austria, might force Russia to give up its passive attitude and take diplomatic steps, to be followed afterward by military measures against Turkey or Austria. According to assurances received by us from the French Government, we can in such a case count upon the most sincere and most energetic diplomatic support on the part of France. * * *

If the conflict with Austria should result in an armed interference on the part of Germany, France would, as a matter of course, look upon this as a *casus foederis* and not hesitate a minute to fulfill its obligation toward Russia. * * *

M. Poincaré further told me that, in view of the critical position in the Balkans, the highest authorities of the French military command are studying with increasing attention all possible military eventualities and it was known to him that expert and responsible personages held an extremely optimistic view of the Franco-Russian chances in case of a general collision. * * *

It is for Russia, he remarked to me, to take the initiative in a question (the Austro-Serbian affair) in which she is interested above all others; while it is France's task to give her full and active support. All in all this means that if Russia makes war France will also make war, because we know that Germany will stand by Austria in this question.

That Poincaré, aided by Izvolsky's bribery of the French press, was successful in getting French opinion behind him is evident from the following telegram from Izvolsky to Sazonov:⁵⁴

While not long ago the French Government and the press were inclined to accuse us of exciting Serbia and the dominant note was "France does not wish to wage war for a Serbian port," now, on the contrary, they look with astonishment and unconcealed apprehension upon our indifference to the fact of mobilization in Austria (against Serbia late in 1912). Not only are these apprehensions expressed by the French Cabinet Ministers; they penetrate also to the general public and into the newspapers of the most diverse political opinions; they are so lively in the French General Staff that the Minister of War felt it necessary to draw M. Poincaré's attention to the matter. * * * M. Georges Louis's telegram transmitting the reply of our General Staff to General de la Guiche (of the French General Staff) did not dissipate the astonishment of the French; they showed me the text of this telegram, according to which General de la Guiche was not only told that we considered Austria's arming only a measure of defense, but that in the improbable case that Austria should attack Serbia, Russia would not fight. This reply greatly astonished M. Poincaré and the other French Ministers. * * *

While attempting to maintain a favorable disposition among the members of the Government and in the political world I am also doing everything possible to influence the press. Thanks to careful steps taken in good time considerable re-

⁵⁴From the *Livre Noir*, Vol. I., translated in the *New York Nation*, Oct. 11, 1922, pp. 365-6.

sults have been obtained. As you know, I do not intervene directly in the distribution of subsidies (to the French press), but this distribution, in which the French Ministries of Foreign Affairs and of Finance participate, seems to be effective and is attaining its goal. * * * In general the Paris press of today is very different from that of 1908-09; I must call particular attention to the attitude of the Temps, which distinguished itself four years ago for its Austrophilism, but in the columns of which M. Tardieu is now energetically fighting against the Austrian policy. Count Berchtold and the Austrian Ambassador at Paris have several times complained to M. Poincaré.

In my discussions with French journalists I try particularly to persuade them that if Austria's arming and the demands of Austrian diplomacy bring on a general European conflict despite Russia's conciliatory moderation, war will be waged not for the private interests of Serbia or of Russia, but as a result of Austria's policy and Germany's support of it; these two powers seek to establish their hegemony in Europe and in the Balkan peninsula. God be thanked, this idea is filtering more and more into political, military and social circles, and lately I have not had to combat so much the idea that war might be imposed upon France for interests alien to her's as the fear that we might be too passive in a situation concerning the position and prestige of the Entente.⁵⁵

How well Izvolsky, Poincaré and the Russian militarists succeeded between 1912 and 1914, is obvious from the aggressive Russian attitude in the Serbian crisis in 1914. Poincaré was aided in 1913 by the substitution of the aggressive Théophile Delcassé for the pacific Georges Louis, as French Ambassador to Russia. Delcassé was replaced shortly before the war by Maurice Paléologue, an equally enthusiastic supporter of the Franco-Russian alliance.

An illuminating fact as bearing upon the Russian attitude in 1914, which has rarely been pointed out, is the meeting of the Russian Crown Council late in February, 1914, to decide as to the best means of Russia's getting control of the Straits. The conference came to the conclusion that it would not be wise to strike suddenly and unaided against Turkey, but that it would be the best judgment to await a general European war, when the British and French fleets could be relied upon to destroy or hold in port the fleets of Germany and Austria. Such a conflict was not deemed unlikely or undesirable.⁵⁶

We have already referred to the tense feeling in both Germany and Russia in the Spring of 1914 as a result of this growing suspicion, fear, increase of armament and tightening of encircling policies. The Austro-Serbian crisis in such a setting was extremely likely to prove fatal to the peace of Europe.

The specific circumstances of Austria's conduct toward Serbia were, as we have noted above, peculiarly arbitrary, insulting and atrocious, perfectly designed to provoke even the Russian leaders like Sazonov to strong measures in the attempt to insure Serbia a fair chance to put her case before the Great Powers. It is difficult to understand how any fair-minded historian can fail to see why Russia felt justified in contemplating forcible intervention against Austria, even if the Kaiser had reasonable grounds for believing that she probably would not execute such action. Prior assurance of complete French support gave Russia courage in a determined stand.⁵⁷

RUSSIAN OPINION DIVIDED

Russian opinion and attitudes were apparently divided. The Czar was sincerely desirous of peace, but quite incapable mentally of envisaging the complex European situation and comprehending the full import of his own acts and orders. Sazonov, the Foreign Minister, though thoroughly committed to Russian imperialism in the Near East and the French military alliance, was willing to avoid war and secure the submission of the Serbian crisis to a congress of the Great Powers; he hoped for aid in this direction from Great Britain, and was not disappointed. On the other hand, Grand Duke Nicholas, the Minister of War, Sukhomlinov, and

⁵⁵See *The New York Nation* and *The New Republic* for Feb. 8, 1924, for revelation of the details of the cooperation between Izvolsky and Poincaré in bribing the French press with Russian gold.

⁵⁶Gooch. op. cit., pp. 520-21; E. Laloy, *Les Documents Secrets des Archives du Ministère des Affaires Étrangères de Russie*, pp. 74-100; Montgelas, op. cit., pp. 72-74.

⁵⁷Fay, loc. cit. (July, 1920), pp. 634-5; Gooch, op. cit., pp. 539-40, 546-7, 556-7. It could be held in 1920 that Sazonov, while thoroughly committed to the Russian ambitions in the Balkans and the Near East and to the Franco-Russian military alliance, was desirous of avoiding war and allowing Serbia to submit her case to the European powers. This view must be somewhat modified in the light of the suppressed telegrams in the Russian Orange Book, which reveal the fact that both Sazonov and Izvolsky were thoroughly aware as to what was going on in military circles in both France and Germany. Sazonov may have been more pacific than the army group, and at least went through the form of cooperation with Grey in the effort to submit the problems of the 1914 crisis to a European congress.

the Chief of Staff, Janushkevitch, with the militaristic and imperialistic group as a whole, were convinced that the Austrian ultimatum palpably and inevitably meant war, and believed that the sooner Russia recognized this and accepted the strategic implications and responsibilities the better.⁵⁸ "They felt," says Professor Fay, "that a war between Austria and Serbia was necessarily a war between Austria and Russia, and they had no doubt that Austria was about to begin an invasion of Serbia as soon as the time limit expired. * * * They were probably convinced that war was 'inevitable,' and that here was Russia's heaven-sent opportunity to have her final reckoning with Germany and to acquire Constantinople and the Straits. Therefore the sooner full mobilization was declared the better."⁵⁹ All important evidence which has come out since this was published in January, 1921, has tended to confirm Professor Fay's generalization. To the Russian military group the European war was really *on* from the moment of the delivery of the Austrian ultimatum to Serbia, and no amount of restraining and conciliatory efforts by Bethmann Hollweg, Sazonov or Grey would have been of any real avail. The Russian militarists, encouraged by the French, ran away with the situation in Russia in the same way that Hötendorf and his followers were dominating the policy and producing the train of tragic consequences in the realm of the Central Powers.⁶⁰ Izvolsky, the Russian Ambassador at Paris, was thoroughly with the military group.

General preparatory military measures to aid Serbia were decided upon on the 25th, partial mobilization ordered on the 29th, and general mobilization on the 30th. It has been alleged that a false report of German mobilization published in the Berlin Lokal-Anzeiger on July 30, 1914, produced the Russian mobilization order, but this is

palpably false. The Russians had determined upon and ordered general mobilization before they heard of this publication.⁶¹ Much has been made of an alleged interception of an order of the Czar in answer to an appeal from the Kaiser, directing a suspension of mobilization, but it now seems that the question is unimportant and that the Russian militarists were as determined to have their way, regardless of the Czar, as the Austrian war party was to disregard the moderating and restraining influence of Germany after July 27.⁶² Nor was there any effort of the French to curb Russia. The most that they did was to suggest to Izvolsky on July 30 that he telegraph his Government to be as secretive as possible in carrying on the mobilization, so that Germany could not publicly allege or prove Russian aggression. While the Russians were hypothetically mobilizing to prevent Austrian intervention in Serbia, the French were urging Russia to neglect Austria and concentrate her military activities against Germany. Proof of good faith in the Russian claim to be arming to protect Serbia would have been made if she had mobilized against Austria alone, but this was strategically impracticable. Knowing that Germany and Austria were closely allied, it would have been folly to move against Austria and leave her whole German flank exposed. Further, one must reckon with the fact that Russia was not aware or convinced of the actually serious efforts of Germany to check Austria, and with the further fact that Russia was being urged by the French to move primarily against Germany.⁶³

The German ultimatum and mobili-

⁵⁸Montgelas, *op. cit.*, pp. 178-80.

⁵⁹Fay, *Ibid.* (January, 1921), pp. 225-51; R. Honiger, *Russlands Vorbereitungen zum Weltkrieg*, Sazonov's part in urging the Czar to order general mobilization may be explained on the ground that he believed that it would frighten Austria into a resumption of conversations.

⁶⁰Fay, *Ibid.*, p. 233.

⁶¹*Livre Noir*, Vol. II. B. von Romberg (Editor), *Falsifications of the Russian Orange Book*; also the references in the following footnote.

⁶²Honiger, *op. cit.*; S. Dobrorolsky, *Die Mobilmachung der Russischen Armee, 1914, and Die Kriegsschuldfrage*, January-February, 1924, pp. 18-21. I am indebted to Professors Shotwell and Fay for reports of conversations with Dobrorolski in the Summer of 1923, in which he frankly stated that the Russian War Office and General Staff accepted the Austrian ultimatum as a declaration of war on Russia, and began steady preparations for war against both Germany and Austria. Nothing but a complete repudiation by Austria of her demands on Serbia could have held the Russians in check.

⁶³*Falsifications of the Russian Orange Book* (New York: Huebsch, 1923), pp. 45-61. This had always been a basic phase of French policy, going back as far as the 1892 negotiations preceding the Franco-Russian military convention.

zation were inevitably produced by the mobilization of Russia. As Fay says, "German mobilization was directly caused by that of Russia. In fact it came rather surprisingly late."⁶⁴ On this ground Gooch holds that Russia must bear the responsibility for the actual outbreak of hostilities: "The World War was precipitated by the action of Russia at a moment when conversations between Vienna and Petrograd were being resumed, when Bethmann Hollweg was at length endeavoring to restrain his ally, and when the Czar and the Kaiser were in telegraphic communication."⁶⁵ This conclusion, to be significant, must rest upon the assumption that if Russia had undertaken only partial mobilization, and that against Austria alone, Germany would have exerted sufficient pressure on her ally to have led to an abandonment of the Serbian invasion and a submission of the dispute to a European congress. Whether or not she actually would have done so is one of the many interesting hypotheses connected with the outbreak of the conflict which cannot be regarded as an assured fact. In a narrow and technical sense, however, it is entirely true that it was the Russian general mobilization which supplanted the state of diplomatic negotiations by the clash of arms. This is doubtless what Professor Gooch implies. There has been much discussion as to whether the Russian general mobilization meant war, and whether Germany was justified in issuing her ultimatum ordering Russia to suspend mobilization. There seems no doubt on this point. The British Ambassador to St. Petersburg warned Russia as early as July 25 that Russian general mobilization would mean war, and we know that both the French and the Russian military experts fully and frankly recognized this. This fact surely disposes of the allegation that from a military standpoint Germany should have contented herself with counter-mobilization. France and Rus-

sia both expected her to follow the Russian mobilization with a declaration of war.⁶⁶

The one point in the whole situation here which has been most frequently ignored by historians is that Sazonov was certainly grotesquely exaggerating the actuality when he described the protection of Serbia as a life and death matter for Russia. No informed historian and political scientist could well deny that Austria had far more reason, from the standpoint of the realities in the defense of her national existence, in attacking Serbia than Russia had in the way of protecting her. In 1908 Russia had instigated Austrian aggression of a type nearly as serious as that contemplated in 1914, and the fact that she directed a prominent part of her military action against Germany and not Austria indicates that she was not wholly absorbed in solicitude for Serbia. At most, it was only Russia's not wholly defensible or commendable aspiration for the hegemony of the Balkans which was at stake, while the very future cohesion of the Dual Monarchy depended upon a repression of Yugoslav nationalism. We are not, of course, necessarily arguing that Austria-Hungary should have continued to exist, but we can certainly forgive the Austrian and German authorities for believing that it should. One should keep in mind, however, Professor Schmitt's thesis that, even if the Serbian matter was not of crucial importance for Russia considered individually, it was of the greatest importance to the Triple Entente as a whole.

FRANCE—In regard to France the analysis of the pre-war situation must begin with a recognition of the Franco-German psychology after 1871. France never forgave Germany for the humiliation of that period or for the annexation of Alsace-Lorraine. Germany recognized the intensity of French resentment and longing for revenge, and reciprocated by an overbearing attitude toward France. We must, however, free our

⁶⁴Fay, *loc. cit.* (January, 1921), pp. 250-51.

⁶⁵Gooch, *op. cit.*, pp. 546-7. As a matter of fact, Austria had not been persuaded to resume conversations at the time of the Russian general mobilization.

⁶⁶Gooch, *op. cit.*, pp. 546-7; *Falsifications of the Russian Orange Book*, pp. 50-76; Montgelas, *op. cit.*, pp. 133-6.

minds of the illusion that France was in 1870 a terror-stricken victim of Prussian aggression. Even the two early French authorities on the diplomacy of the Franco-Prussian War, La Gorce and Sorel, frankly admit that Gramont precipitated the war and thereby played directly into the hands of Bismarck.⁶⁷ We should further dispel the mistaken notion that England and the United States were indignantly repelled by Prussian aggressiveness in 1870. The overwhelming majority of English and American opinion was unreservedly on the side of Prussia, which they believed was being wantonly assaulted by the most militaristic and warlike power in Europe. It is true, however, that the severity of Bismarck's terms alienated some of his British and American supporters.⁶⁸

The spirit of revenge never died out in France, its chief apostles being Paul Déroulède, Maurice Barrès and Léon Daudet, leaders of the League of Patriots and the Action Française. After the collapse of the Boulangier movement in 1889, and the discrediting of the militaristic clique in the Dreyfus case, however, the war and revanche fever abated for a decade, and certain French leaders like Joseph Caillaux endeavored to promote greater friendliness between France and Germany. This was made more difficult by the Morocco crises, and about 1909 the party represented by Caillaux began to lose its dominating position and was replaced by the advocates of a "Strong France," prominent among them Poincaré, Delcassé, Millerand, Joffre, Jonnart and Tardieu. Even Clemenceau, the original and veteran defeatist and anti-militarist, joined their group. In the words of the Abbé Dimnet, "France was herself again." This group was strengthened by the unquestionable increase of the power and vocal exuberance of the imperialistic and military party across the Rhine.⁶⁹

⁶⁷We must also free ourselves from the myth of the Ems Telegram atrocity. In some ways it was even less insulting in the abridged than in the complete form. A more recent French account of the origins of the War of 1870 is P. Lehautcourt, *Les Origines de la Guerre de 1870*.

⁶⁸C. E. Schieber, *The Transformation of American Sentiment Toward Germany, 1870-1914*; Chap. I.; D. N. Raymond, *British Policy and Opinion During the Franco-Prussian War*.

⁶⁹The works of Fisher, Gooch, Curtis and Albin

FRENCH INCITEMENT OF RUSSIA

The point of concentration in diplomacy on the part of the Poincaré policy was Russia.⁷⁰ The record of its nature is now available in the *Livre Noir*, and no reader of the documents can doubt that after 1912, at least, France was the moving and dominating spirit in the Franco-Russian alliance, and that she constantly worked to accustom Russia to the idea of a coming war with Germany and to its preparation. Russian sensitiveness concerning Austro-German policies in the Balkans and the Near East was ever stimulated by French warnings and suggestions. When the Russian Government, in 1912-13, seemed not to be greatly disturbed over Austria's menacing attitude toward Serbia, the French Government informed the Russian that it viewed this attitude with "astonishment and un concealed apprehension."⁷¹ In 1913 France passed a bill providing for the largest standing army per head of population maintained by any major European State. From the documents now available it seems perfectly clear that by this time Poincaré, himself a Lorrainer, was willing to accept the first good opportunity for a European war as the means of restoring Alsace-Lorraine to France.⁷² The allegation that he was eager to promote an occasion for such a conflict does not rest upon any such impressive documentary evidence.⁷³ Probably the most judicious and comprehensive summary of the primary importance of Poincaré in completing and stiffening the Franco-Russian alliance is the following by Professor Schmitt:

as above. E. Dimnet, *France Herself Again*, is a sympathetic discussion of the nationalistic party after 1909. An extreme criticism is contained in Gouttenoire de Tourny, Pevet and Bausman as cited.

⁷⁰See above.

⁷¹New York Nation, Oct. 11, 1922, pp. 365-6, Document XVI.; Gooch, *Modern Europe*, pp. 515-20; Montgelas, *Leitfaden zur Kriegsschuldfrage*, pp. 72-74.

⁷²Marchand, *Livre Noir*, Vol. I., pp. 35-9, 128-30, 148-50, 259, 345-7, 393, 419-37, 457-64 and *Entente Diplomacy*, Books II-III.

⁷³The most serious accusation is that by Pevet, *Les Responsables de la Guerre*. Poincaré's defense is contained in his *Origins of the War*, which is rendered far less convincing by the subsequent publication of the *Livre Noir* and the *Falsifications of the Russian Orange Book*. The authoritative apology for the official French policy is contained in E. Bourgeois and G. Pagues, *Les Origines et Responsabilités de la Grande Guerre*.

The credit belongs in the first instance to M. Raymond Poincaré, who became Premier of France in January, 1912. Under his masterly care, Franco-Russian relations, which had become somewhat tenuous, while one ally was absorbed in Morocco and the other in Persia and the Far East, were soon exhibiting the closest harmony. In the liquidation of the Tripolitan war and throughout the Balkan wars, Paris and St. Petersburg devised and applied a common policy, carrying London with them if possible. M. Poincaré repeatedly assured Izvolsky, now Ambassador to France, that the republic would fulfill all the obligations of the alliance; Izvolsky took the Paris press into pay to create a sentiment for Russia and to strengthen the position of the Premier whom he recognized as most useful to Russia. The French statesman urged the Czar to proceed with the construction of strategic railways in Poland and sent Delcassé as his representative at the Russian court; the Russian Ambassador, at least according to some persons, demanded that France revive the three years' military service. Then French and Russian General Staffs, in annual conferences, perfected their plans for war, which were based on a joint offensive against Germany. A naval convention was concluded. Finally, M. Poincaré went to Russia, and M. Sazonov, the Foreign Minister, expressed to the Czar his hope that "in the event of a crisis in international relations there would be at the helm in France if not M. Poincaré, at least a personality of the same great power of decision and as free from the fear of taking responsibility." The elevation of M. Poincaré to the Presidency of the republic in no way interrupted the newly developed intimacy. Indeed, from 1912 to the outbreak of the war, the Dual Alliance presented a solid front at every turn to the rival diplomatic group.

FRANCE NOT AVERSE TO WAR

It is quite evident, therefore, that we must modify the view which was tenable before publication of the Siebert documents, the *Livre Noir* and the *Falsifications of the Russian Orange Book*, namely, that the French Government was reluctant to contemplate the imminent approach of war in July, 1914. In 1920 Professor Fay could write:

As to France, however much she may have encouraged the Russian militarists, in the months preceding the crisis, by her adoption of the three-year term of military service, by her exchange of military and diplomatic visits, by her naval convention, by her jingo press, and by her close relations with England, and however much by these same measures she may have aroused the suspicions of Germany, there can be no doubt that when the crisis came, she sincerely did her best to avert it.⁷⁴

Today we know that she did not do her best to avert it. The chief bulwark of the defense of pacific intent upon the part of France is the statement that on July 30 she ordered the withdrawal of her frontier troops to a point ten kilo-

meters (about six miles) back of the boundary in order to prove her lack of aggressive purposes, and then awaited German attack. There are a number of considerations which make it necessary almost entirely to discredit this move as any proof whatever of a purely defensive attitude on the part of France. In the first place, the order was given on July 30 before Germany had taken any steps toward general mobilization, and when she was doing her best to restrain Austria. By the 30th, however, France was fully aware of the fact of the Russian mobilization measures, and her "fear" of Germany must have been based upon her agreeable understanding that Russia proposed to continue her military preparations and that this would mean war with Germany. Further, this order, even if executed, meant no weakening of the French defenses. It was not uniformly obeyed, and had no military importance whatever back of the Belgian and Luxemburg frontiers. Officers and soldiers were left in the border posts to watch and report the activities of the German patrols. Most important of all is the generally overlooked fact that, while this withdrawal meant little or no military handicap to the French, even where actually executed, it was in many cases a real military advantage, as it allowed them to bring up to the ten-kilometer line many detachments that had been stationed further back from the frontier, and to carry out preparatory military measures back of this line with apparent innocence of any aggressive intent.⁷⁵ On July 30 Izvolsky was telegraphing to Sazonov that the French Minister of War had suggested that Russia might verbally assure the other powers that she was willing to slow up her military preparations, but at the same time might well actually speed them up, provided that she kept her movements sufficiently secret so that the other powers would not discover her extensive preparatory measures.⁷⁶

⁷⁴A complete refutation of this withdrawal order as a proof of French defensive humility is contained in Montgelas, *op. cit.*, pp. 180-182, which on this point is absolutely conclusive.

⁷⁵*Falsifications of the Russian Orange Book*, pp. 50-64.

⁷⁶Fay, *loc. cit.* (January, 1921), pp. 252-3.

In the light of this and other suppressed Franco-Russian telegrams during the last three days of July, 1914, the order for the withdrawal of the French troops fits in well with the general picture of the French policy as it emerges from the secret documents, namely, a firm determination on the part of the Poincaré clique to encourage and execute extensive military preparations on the part of Russia and France, and a parallel effort to keep this decision as secret as possible, so as to get military preparations far under way before their discovery by Germany, and also to avoid alienating the opinion of Grey and England. The one fact that stands out of the Franco-Russian exchange of late July and early August, 1914, more than anything else, is the almost pathological fear of the French authorities that England would discover the aggressive attitude of France and Russia and become lukewarm or alienated from the Entente. As Izvolsky telegraphed to Sazonov, "it is very important for France on account of political considerations relative to Italy and most especially England, that the French mobilization should not precede the German one, but form the answer to the latter."⁷⁷ The ordered withdrawal of the French frontier troops, then, would appear unquestionably to have served a dual purpose. It sufficed to dupe Grey and the English into accepting the fiction of a purely defensive attitude on the part of France, and allowed extensive French military measures to be carried on secretly and effectively behind the ten-kilometer line. Instead of an obstacle to the French military preparations, then, it was a positive gain, while also serving as a diplomatic ruse. We have no means of knowing as yet the understanding reached by Poincaré and the Russians during the former's visit to St. Petersburg in July, 1914, a most crucial bit of information for assigning war guilt, but we have unanswerable documentary evidence that, by July 30, France recognized that Russia had determined upon military measures which would lead to war, encouraged her in this decision and gave as-

surance of complete French support as an ally, while publicly approving Grey's honest attempts at mediation with Germany, Austria and Russia.⁷⁸

MILITARISTS WELCOMED WAR

More damaging is the testimony as to the enthusiasm and fervor with which the French civil and military chiefs anticipated the approach of war. On July 29 Izvolsky telegraphed Sazonov that the army circles in France were in high spirits at the prospect of war, and that the French Government was suppressing anti-militaristic meetings. On July 30 he telegraphed that France had given full assurance that she would fulfill all her obligations as an ally of Russia, but suggested that Russian military preparations be sufficiently secretive so that Germany would not also be prematurely frightened into mobilization. On July 31 the German Ambassador in Paris called on Premier Viviani to learn what attitude France would take in the event of war between Russia and Germany. Viviani refused to answer, telling the Ambassador to come around the next day. Just after midnight, however, the French Minister of War told Izvolsky that the French Government had agreed upon war and hoped that the Russians would neglect the war with Austria and throw all their forces against Germany. "The French Minister of War disclosed to me with hearty high spirits that the French Government has firmly decided upon war, and begged me to confirm the hope of the French General Staff that all our (Russian) efforts will be directed against Germany and that Austria will be treated as a negligible quantity."⁷⁹ When to this is added the unbounded enthusiasm for war which the French Ambassador at Petrograd, Paléologue, confesses in his diary, we have to drop entirely the myth of a terrified and reluctant France, however much the pacific group in France may have been

⁷⁸Ibid., pp. 50-76; Montgelas, op. cit., pp. 94-7, 125-132, 142-4. Though in some cases in this work Montgelas fails to consider evidence damaging to Germany, his presentation of the case for Franco-Russian duplicity in these pages is incontestable.

⁷⁹Ibid., pp. 44-61.

⁷⁷Ibid., pp. 64-5

repelled by Poincaré, Viviani, Delcassé and their policies.⁸⁰

Of course, we must distinguish rather sharply between the attitude of the French people and that of Poincaré and his Government. There is no doubt that the French people were pacifically inclined and taken by surprise at the sudden outbreak of hostilities. In fact, it is necessary to go even further, and distinguish between Poincaré and his group and other members of the Cabinet. Several members of the Cabinet were Socialists or socialistically inclined and opposed to war. French foreign policy on crucial points in the critical period of July, 1914, was arbitrarily and in some cases secretly handled by Poincaré, Viviani and Messimy, in the Government, in cooperation with Paul Cambon, French Ambassador to England (who made a semi-secret trip to Paris late in July), and with Delcassé and Tardieu. Upon Poincaré himself must fall the major responsibility for the determination of French policy from June to August, 1914, as well as for the control of Franco-Russian relations from 1912 to 1914. In order to whip the citizenry of the Republic into line, the Government, by means of censorship and propaganda, carried on a vigorous campaign to convince the French people that they were being asked to support their Government in a purely defensive war in which the very existence of France was at stake.⁸¹

That France was not caught napping in the way of military preparations is proved by the fact that, though she officially took action toward mobilization on July 31, the five army corps on the frontier were announced as fully prepared for war on the next day. Further, Poincaré frankly admitted to Izvolsky that he hesitated to declare war on Germany because to do so would involve calling Parliament and a public debate, which he feared. He also delayed in order to complete French mobilization, and quite obviously, not to alarm England and lose her support. Satisfaction was expressed when the

Germans actually invaded France and eliminated the necessity for a debate on war.⁸²

GREAT BRITAIN—England's foreign policy underwent notable changes between 1870 and 1914. Down to 1890 she had pursued a policy of isolation, except for a brief joint action with France in Egypt, and the Mediterranean agreement of 1887. The new German Kaiser turned toward England and away from Russia about 1890, and Germany and England were on good terms until the famous *Kruger telegram* of the Kaiser at the time of the Jameson raid. This, together with German commercial development and naval plans, and her Bagdad railway scheme, alienated England, and good feeling was not restored until June, 1914. The failure of efforts to achieve amicable Anglo-German relations earlier than this, as Hammann and Valentin freely admit, was due chiefly to Germany, and particularly to Bülow and his anti-English *bête noir*, Baron von Holstein, whom even the Kaiser denounces in his *Memoirs*. They discouraged the well-meaning English advances. Further, it was Bülow's and Tirpitz's foolhardy naval policy that did more than anything else to arouse English suspicion and throw Grey into relations of a more friendly sort with France and Russia. England had clashed with France in the Sudan in 1898, but astute French diplomacy had brought out of this impasse an understanding with England which ripened into an agreement in 1904 and was practically a defensive alliance by 1911. England and Russia had been traditional rivals over the Near East until they settled their differences by partitioning Persia in 1907, thereby paving the way for the consummation of the Triple Entente.⁸³ There is no doubt that Sir Edward Grey, in spite of his engage-

⁸²Falsifications of the Russian Orange Book, pp. 58, 62-3, 68-76.

⁸⁰M. Paleologue, *La Russie des Tsars pendant la Grande Guerre*.

⁸¹G. Demartial, *La Guerre de 1914. Comment on mobilisa les consciences*.

⁸³The latest authoritative history of British diplomacy after 1870, based on the new documents and relatively impartial, is contained in the Cambridge History of British Foreign Policy. Vol. III. It should be supplemented by such critical works as those by E. D. Morel and W. S. Blunt. The best book yet written in England on war origins is that by Lord Loreburn, *How the War Came*. It should be compared with the official apology in the work of H. H. Asquith, *The Genesis of the War*.

ments with Russia and France, was really desirous of better relations with Germany. He was the only important European statesman who had a vision of a new European order. Loreburn's judgment is too harsh.

BRITISH COMMITMENTS TO FRANCE

In dealing with the problem of England's position and procedure in the crisis of July, 1914, it should be pointed out that Sir Edward Grey occupied a position singularly like that of the Kaiser and Bethmann Hollweg. Sincerely desirous of preserving the peace of Europe, he had, nevertheless, actually arranged to aid France in case of her being attacked by Germany, and had a less definite agreement with Russia concerning concerted naval action. There is no doubt that the Anglo-French agreement was less literally definite than Germany's *carte blanche* to Austria of July 5, 1914, but it was morally as definite and binding. It brought Grey into the same desperate situation as Germany, when he found himself, on Aug. 1-2, 1914, unconsciously the victim of warlike aims and activities on the part of Russia and France. So firmly were the French convinced of the binding character of the English understanding that Joffre tells us that the French military plans were based in detail upon the assumption of English aid. Professor Schmitt further points out that the language of the Anglo-French understanding is practically identical with the comparable clauses of the Franco-Russian alliance. The Anglo-French agreement had never been revealed to Parliament or to some members of the Cabinet. Its very existence had been denied by both Grey and Asquith in 1913-14. It was first confessed by Sir Edward Grey on Aug. 3, 1914, when he was compelled to go before Parliament and plead for the support of France.⁸⁴ Professor Beard thus describes the situation:

When on Aug. 3, 1914, the great decision had to be taken, Sir Edward Grey, in his memorable plea for the support of France, revealed for the first time the nature of the conversations and understandings that had been drawing the two countries to-

gether during the previous ten years. He explained how the French Admiralty had concentrated its fleet in the Mediterranean and left the Atlantic coast of France undefended and how, the day before, he had assured France that, if the German fleet came out, England would protect the defenseless ports across the Channel. He explained how naval conversations extending over many years had prepared for the immediate and effective cooperation of the two powers in case of war.⁸⁵

This announcement created considerable consternation in England and led Charles P. Trevelyan, John Morley and John Burns to resign from the Ministry in protest. England also gave Russia a favorable impression of her attitude in the event of a European war. Sazonov reported to the Czar in 1912 that, on his visit to England, Grey, the King and Bonar Law assured him that cooperation with France and Russia in the event of war with Germany was the one point upon which all major parties in England were enthusiastically agreed. Of George V. he said: "With visible emotion his Majesty mentioned Germany's aspirations toward naval equality with Great Britain, and explained that in case of a conflict it would have dangerous consequences not only for the German fleet, but also for German commerce, as the English 'would sink every single German merchant ship they got hold of.'"⁸⁶ Definite arrangements for a triangular naval cooperation in the event of war were secretly worked out between England, France and Russia in May and June, 1914, a rumor of which greatly disturbed and alarmed German official circles.⁸⁷ Not only had England thus prepared for naval participation against Germany; she had also worked out in minute detail the plans for sending troops to the Continent. Lord Haldane, who had been Secretary of State for War from 1905-12, testified in 1919 that he had made every plan during those years for the transfer of troops across the Channel. Like the Prussians in 1870, when war was declared the English officials had but to sign orders prepared nearly a decade

⁸⁴C. A. Beard, *Cross Currents in Europe Today*, pp. 30-31; Cambridge History of British Foreign Policy, Vol. III., pp. 466-70, 500-508.

⁸⁵Beard, *Ibid.*, pp. 41-3; Korff in *American Historical Review*, July, 1922, p. 797.

⁸⁷Beard, *Ibid.*, pp. 45-50, 72-75; Cambridge History of British Foreign Policy, pp. 484-6; New York Nation, Oct. 11, 1922, pp. 365-70, Documents XXI-XXV.

⁸⁴See the Indictment of Grey on these points in Loreburn, *op. cit.*

earlier. Captured Belgian documents further reveal the fact that England had even discussed with Belgium the possibility of landing troops on Belgian soil in the event of a German invasion, but this proposal received little encouragement from Belgium.⁸⁸ Finally Winston Churchill, First Lord of the Admiralty, has told how, after 1912, when diplomatic relations between England and Germany were steadily improving, he became convinced that war with Germany was inevitable, and began in every way active preparations for it.⁸⁹

In spite of these preparations for war, no fair-minded student doubts Grey's sincere desire for peace in July, 1914, or the ardor with which he worked for mediation and delay of hostilities, within the limitations forced by his commitments to his allies. Probably the chief criticism which can be made of Grey's procedure after July 25 is that he did not warn Germany quickly and sharply enough as to what England's position would be in the event of an attack upon France. It would now seem that such a warning would have forced Germany into very strong measures against Austria and, perhaps, have averted the conflict. But we must remember that Grey would have faced a Cabinet which might not have supported him in any such positive action. He was shamefully deceived by France and Russia, who had resolved upon war and were making military preparations at the very time when Grey was earnestly carrying on negotiations in good faith for delay and mediation. He was "double-crossed" by Grand Duke Nicholas, Sukhomlinov and Poincaré in the same way that Bethmann Hollweg and the Kaiser were by Hötendorf, Forgách and Berchtold.⁹⁰ The telegrams in the "Falsifications of the Russian Orange Book" reveal Poincaré almost pathologically fearful of offending England or allowing her to discover in any way the ag-

gressive French decisions. He was equally eager to discover and play up any apparently aggressive German aims and acts. It is doubtful if Grey was thoroughly disillusioned about his deception until the publication of the secret Franco-Russian dispatches in 1922-23, and Mr. Asquith still seems to share the illusions of 1914 about the good faith of his allies.⁹¹ Once Germany declared war on France, Grey was relieved from his embarrassment by the invasion of Belgium, but there is little doubt that England would have come into the conflict irrespective of this act, and there is equal reason to believe that Germany would not have invaded Belgium if England had given assurance of abstinence from hostilities on this condition. The millions of English and Dominion citizens who fell in the World War were the price paid for Grey's folly in allowing himself to be dragged into the service of Franco-Russian imperialism.⁹²

ITALY—Much has been made by some of Italy's unwillingness to join with Germany and Austria in 1914 as a proof of her conviction of their perfidy, aggression and war guilt. This argument possesses no validity whatever. Italy's joining of the Triple Alliance in 1882 had been an accident, due to temporary Italian pique over the French annexation of Tunis.⁹³ Austria was Italy's traditional enemy, and in due time the old enmity reasserted itself. Italian nationalism and imperialism embraced as a part of its program the recovery of Italia Irredenta from Austria, if not, indeed, the making of an "Italian Lake" out of the Adriatic. Such aspirations could, of course, only be realized as the result of a war with Austria. By this time the anti-French feeling had cooled considerably, and in November, 1902, Italy and France made an agreement

⁸⁸H. H. Asquith, *The Genesis of the War*, 1923.

⁸⁹Recognition of Grey's pacific intent in 1914 does not carry with it, of course, a whitewash of British imperialism, but the problems of British rule in Egypt, India, South Africa and Ireland are not a legitimate part of the chapter of history dealing with the war guilt of 1914.

⁹⁰A. C. Coolidge, *The Origins of the Triple Alliance*; Pribram, *op. cit.*; Fuller, *op. cit.* It might also be pointed out that fear dominated Italian policy in 1882, as Italy actually expected a French attack at this time. Pribram suggests that an important factor was King Humbert's fear of socialism.

⁸⁸Beard, *Ibid.*, pp. 50-55.

⁸⁹W. S. Churchill, *The World Crisis, 1911-1914*.

⁹⁰Falsifications of the Russian Orange Book, pp. 44-76; Gooch, *Modern Europe*, pp. 545-6; Cambridge History of British Foreign Policy, pp. 486-504. For proof that Grey was not willing, however, to limit his ability to fulfill his obligations to the Triple Entente in the interest of peace see p. 501.

not to make war upon each other, even if one took the initiative in declaring war upon a State allied with the other. This meant that the Triple Alliance was, unknown to Germany and Austria, but a hollow shell, so far as Italy was concerned, for a dozen years before the crisis of 1914.⁹⁴ Italy's participation in the war on the side of the Allies was purchased only by promising her the territorial cessions contemplated in the Italian Nationalist program, and it was this dickering, more than anything else, which produced the notorious Secret Treaties of the Entente.⁹⁵

BELGIUM—Belgium comes out of the test of full documentary evidence as to her pre-war activities with a complete clean bill of health. The most that can be made out of her archives is that she feared an invasion by France as well as by Germany in the event of war, and that England had actually discussed the possibility of landing troops on Belgian soil, though she had not been able to secure Belgian consent to such a proposal. As to whether France or England would have ultimately invaded Belgium as a mode of getting at Germany if Germany had not anticipated them is another fruitless hypothesis, but any one who doubts that their morality was above such action should remember their willingness to sacrifice their ally, Serbia, to protect whom the war was originally started, in making Italy concessions in the secret treaties. If they had abstained, it would have been on grounds of expediency and the consequences of alienating neutral opinion, for which the Allies certainly had more fear, if not more respect, than the Central Powers.⁹⁶ The fact that there is no available evidence that France actually intended to invade Belgium in 1914 is no proof whatever that such plans did not exist in the secret files of the General Staff. Indeed, we know that the French as well as the German General Staff had considered the desirability of invading Belgium. The French authori-

ties well recognized the opposition of England to the violation of the neutrality of Belgium and the inevitable loss of a powerful ally by even suggesting such action clearly outweighed any strategic value in anticipating German occupation of Belgium.

FINAL CONCLUSIONS

It should be apparent to any one who has followed the analysis of the evidence of war guilt up to the present point that the scape-goat theory of complete, sole and unique guilt on the part of Germany or any other single State can no longer be supported. Probably the majority of competent students would assign the relative responsibility for the outbreak of hostilities in about this order: Austria, Russia, France, Germany and England. But who will say that any of the other States, if placed in Austria's position, would not have done much as she did? The United States took military measures against Spain and Mexico on infinitely slighter pretext, without any question of our national integrity being at stake. Our own diplomatic conduct with Spain in 1898 will as little bear close scrutiny as that of Austria with Serbia in 1914. And none of the Entente States can make too much capital out of the free-hand given to Austria by Germany. This was exactly what France really extended to Russia in 1912, and what all members of the Entente insisted Russia should have in the Balkan and Serbian crisis of 1914. Neither France nor England made as vigorous efforts to restrain Russia in 1914 as Germany did to curb Austria. Deeper than any national guilt is the responsibility of the wrong-headed and savage European system of nationalism, imperialism, secret diplomacy and militarism which sprang into full bloom from 1870-1914. And there can be no hope of permanent peace in Europe until it is freely and clearly recognized that it is this system which must be resolutely attacked through various forms of international cooperation and organization. The most judicious summary of the whole matter is the following from the pen of Professor George Peabody Gooch,

⁹⁴Gooch, *Modern Europe*, pp. 58-69, 145-9, 346-7, 416-17; G. Gallavresi, *Italia e Austria, 1859-1914*; Mayr, *Der Italienische Irredentismus*.

⁹⁵*L'intervenzione dell'Italia nei Documenti Segreti dell'Intesa*.

⁹⁶This material is contained in the Schwertfeger collection.

the most impartial and thorough chronicler who has brought together a comprehensive picture of the diplomatic history of the generation preceding the war:

To explain the conduct of the different statesmen of Europe in July and August, 1914, is not necessarily to approve the policy pursued by them and their predecessors, out of which the crisis arose. The root of the evil lay in the division of Europe into two armed camps, which dated from 1871; and the conflict was the offspring of fear no less than of ambition. The Old World had degenerated into a powder magazine, in which the dropping of a lighted match, whether by accident or design, was almost certain to produce a gigantic conflagration. No war, strictly speaking, is inevitable; but in a storehouse of high explosives it required rulers of exceptional foresight and self-control in every country to avoid a catastrophe. It is a mistake to imagine that the war took Europe unawares, for statesmen and soldiers alike had been expecting and preparing for it for many years. It is also a mistake to attribute exceptional wickedness to the Governments who, in the words of Mr. Lloyd George, stumbled and staggered into war. Blind to danger and deaf to advice as were the statesmen

of the three despotic empires, not one of them, when it came to the point, desired to set the world alight. But though they may be acquitted of the supreme offense of deliberately starting the avalanche, they must bear the reproach of having chosen the paths which led straight to the abyss. The outbreak of the Great War is the condemnation not only of the performers who strutted for a brief hour across the stage, but of the international anarchy which they inherited and which they did nothing to abate.⁹⁷

Such, then, are the main results of the most recent research into the origins of the World War in the light of the documentary evidence made available in the past few years. The importance of the problem today is to be found in the undoubted fact that our attitudes with respect to desirable European policies are determined more than anything else by our views of the responsibility for the calamity of 1914.

⁹⁷Gooch, "Recent Revelations on European Diplomacy," loc. cit., p. 29.

A DISSENT FROM THE CONCLUSIONS OF PROFESSOR BARNES

By ALBERT BUSHNELL HART

CHAIRMAN OF THE BOARD OF ASSOCIATES IN CURRENT HISTORY

CURRENT HISTORY is not a critical journal. It does not undertake to be a guidepost showing men in what direction their minds ought to move. Its policy is to give in every issue, to any man or woman who has something worth relating, an opportunity to present it to the American public.

Once in a while an article appears which reaches conclusions so debatable and provocative as to make it necessary for the magazine to disclaim responsibility. Such a situation arises with regard to the article of Professor Harry Elmer Barnes in this issue, entitled "Assessing the Blame for the World War." Every reader must recognize the author's acquaintance with his subject, his skillful analysis of new evidence, and his efforts to arrive at the truth. His process, however, is not as important as his product.

Reversing the opinions heretofore held by most American experts in international affairs, he lays the prime

responsibility for the World War, first on Austria, and then in descending grades of guilt on Russia, France, Germany and England. Italy has only negative responsibility, and Belgium gets a clean bill of health. As for the United States, he holds, though this is not stated in so many words, that we were deceived, tricked and duped into our stand in the war, principally by France, but also by England and Italy.

Perhaps without so intending, the author, denies the honesty of the Allies and the reality of our appeal to justice and humanity. He makes the American people a set of fools, who could not penetrate the secret conspiracy between France and Russia to wreck Europe. The "colored books" issued by the various Governments in 1914 were not complete. Neither can we trust the new light of memoirs and selections of diplomatic correspondence dug out from archives of defunct empires. This tremendous question is not to be settled by Russian dispatches secretly copied by a

subordinate in the Russian Embassy in London, any more than by the published memoirs of the former Kaiser.

The causes and reasons for war go far back of July-August, 1914. For instance, nobody can really understand the war who does not know that the clash between Austria and Russia over the Balkans had been going on more than fifty years; and that the annexation of Bosnia by Austria in 1908 was simply the formal transfer of territory which had been in the hands of Austria since 1878.

Another basic question is how far Austria was entitled to proceed with Serbia after the assassination of Archduke Franz-Ferdinand at Serajevo. People now seem to forget that the Austrians rejected the almost abject reply of Serbia to the ultimatum, because they were determined to teach Serbia a lesson. What kind of a lesson this was to be we know from the frightfulness of the later Austrian and German campaigns in Serbia. What they wanted was the death of fully 50,000 Serbian troops and the destruction of at least as many non-combatants.

If it is argued that Austria had a right to exist, and therefore to involve Europe in war, the next question is, What was Austria? A combination of twenty provinces, of a dozen race elements; of many oppressed peoples, all ruled by Germans and Hungarians. Austria-Hungary was an elaborate machine enabling the minority to govern the majority. Surely there is some responsibility on those nations.

Another field of inquiry for Mr. Barnes and others who believe all the Allies were either deceived or deceitful, is how far the people of any of the nations desired war. The French could not at the same time have been both a kind of Mephistopheles trying to drag down virtuous nations, and a struggling nation not at all prepared for war. In 1914 the navy was below standard and the new larger army was not yet completely organized.

As for England, that country was at the highest point of its wealth, commerce, colonial prosperity and sea

power. It is idle to seek to prove that any of the guilt of the war rests upon Sir Edward Grey, because he had "foolishly" made a military combination with France, or because he did not placate Germany by threatening to join with France and Russia if Germany declined to be good.

The subject is too involved, the underlying race and language antipathies are too strong, the confusion of relations in Eastern Europe too complex to make any review of printed testimony a safe basis for changing an opinion which was forged by the fires of war. It cannot be denied that if Austria had been less arrogant and Germany had shown more wisdom and moral courage, the war cloud would have drifted by for the time being. There was even a brief time in July, 1914, when, if Germany had joined in a European congress, the war could have been long delayed. In the final analysis the familiar truth recurs that the man who buys a new shotgun will soon or later go out to see if he can flush some birds. Excessive armaments breed wars.

Others than Professor Barnes are engaged in studying the question of war responsibility in 1914. The same evidence has been examined by Gooch and Fay, to whose results Professor Barnes gives due credit. A Barnes battle is being fought in other periodicals over this same question. Not only is the uprightness of France, England and Germany assailed, but the common sense of the leaders of the American people. If Barnes is right, Roosevelt was wrong, Wilson was wrong, Elihu Root was wrong, Ambassador Page was wrong, everybody was wrong. To affect public sentiment in the United States on this serious question, it would be necessary to show that most of the numerous historical and political writers and diplomats who have gone into this question are convinced that there is sufficient evidence to settle anything forever; and also that the evidence acquits Germany and puts France into the pillory. For that is the real issue raised by the interesting and suggestive article of Professor Barnes.

POLITICAL BOSSES OF YESTERDAY AND TODAY

by Ezra Bowen

WITH the approach of the national conventions to nominate candidates for President and with the discussion of what this or that political leader or boss will do or try to do, we are reminded that there is nothing else in the world like these great American gatherings. Read, for example, of the Republican Convention of 1860:

The nominations began at once. From lake front to prairie the committee had collected every stentorian voice known, and early Friday morning the owners of these voices had been packed into the Wigwam, where their special endowment would be most effective. A series of signals had been arranged to communicate to the thousands without the moment when a roar from them might influence the convention within. When N. B. Judd nominated Lincoln this machinery began to work. No mortal ever before saw such a scene. Five thousand people at once leaped to their seats, and the wild yell made soft vesper breathings of all that had preceded. No language can describe it. A thousand steam whistles, ten acres of hotel gongs, a tribe of Comanches, headed by a choice vanguard from pandemonium might have mingled in the scene unnoticed.

By such phenomena do we know that a great party is choosing its chief.

Seldom has there been in our two great political parties such a paucity of leaders, official and unofficial, as there is today. Of bosses, in the best sense of that word, there are none; Tom Taggart of Indiana and Charlie Murphy of New York are cut on the old pattern, but from a thin and slightly sour dough. In the Republican ranks there are captains of thousands and captains of hundreds of thousands, but the captains of millions are lacking. The prolific Ohio soil has lately produced only atavistic types—from her legalistic chief on down; Utah and Massachusetts have labored and brought forth leaders that are scarcely more satisfactory; Senator Pepper, the Pennsylvania prodigy, has by his Southern style of manoeuvres for delegates pared down sadly his good repute. As the twin ships of State, Re-

publica and Democratica, drift into battle position, the captains, if captains there be, are apparently stowed snugly below decks.

Three months ago facile prophecy was pointing to 1924 as a year when issues and candidates were to be settled and determined by April Fool's Day. "McAdoo and Coolidge," we were told "are as good as nominated," and, said Taggart, the hardy quadrennials, "taxation and the tariff," would be the pressing issues. But now the prophets' mouths are stopped, and we must look to the past for inspiration.

Ten convention years (forty-three calendar years) have passed, and another is upon us. This Summer's conventions will not be like the Lincoln convention. They will be less volatile; our Republic, then youthful, is conscious now of graying hairs that may not lightly be disturbed. There will be more eyes that seem to sag and fewer ruddy napes; once raucous, now sedate, we live a little more indoors.

The New York and Cleveland conventions of 1924 will differ, too, from the national conclaves of the '80s and '90s of the last century. They were polarized with regard to three or four great figures—not candidates—called bosses. This Summer such giants will be missing: Mark Hanna will not be there; Tom and Orville Platt are gone; Matt Quay has been absorbed into the psychic plasm which, unknown to all but an intimate few, occupied a large place in his keen mind; Roscoe Conkling, "strutting like a turkey," in the unhappy phraseology of James G. Blaine—unhappy because this phrase cost Blaine the Presidency—is with his third term candidate, General Grant, safe on Olympian heights.

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PRESENT-DAY BOSSES

Bosses there will be: Colonels Bryan and Guffey will keep watch in the wigwam of their choice; and in the opposing camp, Reed Smoot, senior Senator from Utah, and the Latin-quoting boss, Henry Cabot Lodge, may be found. But of President-making bosses there will be none—no Matthew Stanley Quay, who produced President Harrison as the work of his hand; no Marcus Alonzo Hanna, who made McKinley President—after saving his political life with a friendly loan; and no Thomas Collier Platt, who, by a hasty misdirected gesture, put Roosevelt squarely on the Presidential track.

Political power of the magnitude possessed by these men—where it is not inherited or seized by force—springs from popular confidence. No claim is made that such power, once born, cannot be greatly augmented by stealth, but merely that it cannot arise or win longevity from anything but public trust. These men were fairly great, because they were fairly good.

Clipping dogma short, let us examine two of these giants with an eye to the source of their power. If we take a cross-matched pair, in appearance utterly dissimilar, and find lurking beneath the surface matched qualities of character, shall we not be fair in concluding that these traits form the nucleus of their great sway?

Marcus Alonzo Hanna and Thomas Collier Platt were born in the '30s of the last century—Hanna in Ohio and Platt in a southern county of New York State. Throughout life each continued to be identified with the region of his origin; they remained loyal to their stamping grounds and to their herds. Both came of good American stock. The Hannas were molded of Scotch-Irish-Quaker clay; the Platts came of an English strain, of yeoman grade. Richard Platt, the first of the name in this country, emigrated to Connecticut in 1638; the Hannas emigrated from the north of Ireland in 1763.

Tom Platt and Mark Hanna were village boys. The Owego and New Lisbon of their day were not frontier outposts,

nor was there about them any feature or tint of urbanity. The boyhood homes and surroundings were good. Hanna's biographer, Herbert Croly, says:

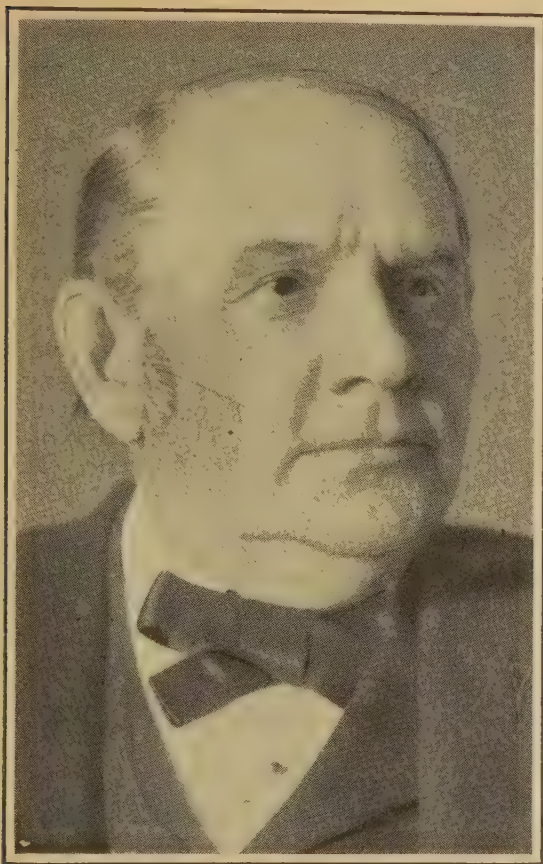
The table was abundant, the food well cooked, the linen of excellent quality and the children well clothed. Altogether very few Ohio boys of that time were brought up in such a well-equipped, well-ordered and genial home. Of course, it remained very simple, and all hands had to share in the work. There were no gentlemen of leisure in a Middle Western town before the war. Of course there were loafers, but they were called loafers.

The Platt home was that of a successful village lawyer.

Education was not lacking in either case. Tom Platt's lawyer father cherished the earnest wish that his son might be a minister and shaped the boy's early training to this desire. "My Sabbath Day recreation—the only one allowed me," says Platt in his autobiography, written in 1909, "was the rather gruesome habit of walking in the village cemetery." To influence further the adolescent mind, each Sunday the future politician's well-meaning father invited a clergyman or two to dinner, and the effect was heightened by allowing upon the table no dish that had not been prepared the day before. Mark Hanna's boyhood Sabbaths were more pleasantly profane. His father, a college man and a physician, had been read out of meeting for marrying a girl not of the Quaker faith. But there was discipline in the Hanna home and of an excellent sort; Mark's mother, before her marriage, had been a very capable school teacher.

Both boys entered college, Platt to please his father, Hanna to please his mother. Neither was graduated. Platt's Yale experience began when he was 16; Hanna, never so precocious as Platt, was not ready for the Western Reserve College until his nineteenth year.

"For years," says Senator Platt in a reminiscence of his teens, "I had nursed a longing to become a druggist. I went behind the counter of a small local drug store and gradually acquainted myself with the secret of compounding pills." As soon as he had saved enough money to make part payment on the purchase of a "drug establishment," he and his young friend, Frederic K. Hull, hoisted



Brown Brothers.

MARCUS ALONZO HANNA

Better known as Mark Hanna, he was United States Senator from 1897 until his death in 1904. As Chairman of the Republican National Committee he conducted the Presidential campaigns of his party in 1896 and 1900.

their ensign, "Platt & Hull, The Corner Drug Store." Of the Ohio boy's start in business we read in the Croly biography:

When Mark Hanna left college his business experience began, as he himself says, in jumpers and overalls. He started as a general roustabout on the docks. His work was the same as that of any other young man in and about the store (his uncle's wholesale grocery in Cleveland). He was soon, however, given a more responsible job.

EARLY YEARS OF PLATT AND HANNA

At this time they were radically different in appearance. Platt by his own confession was a "gaunt, rangy fellow," while Hanna was described as "weighing from 160 to 180 pounds;

complexion fair, full faced, with side whiskers; full chested, square shouldered; in fact a very manly man." This difference persisted throughout life. Lawrence F. Abbott's picture of Platt's old age is a violently partisan one, but, when properly discounted, it is indicative: "I had that morning visited the Senate Chamber, where I happened especially to notice Senator Platt of New York, the arch-enemy of all progressive Republicans, sitting inert like a death's head, with sunken eyes and appearing to be in the last stages of physical decay." Of Hanna, the elder statesman, Champ Clark says: "Physically he was a large man, and had a pleasant, though not a handsome, face."

Early marriage was common in the '50s of the last century, and the young Owego druggist lost no time. He was 19 when he married his hometown sweetheart, Miss Ellen Lucy Barstow. The robust young Cleveland grocer was more wary. Having experienced one long engagement of marriage, he was slow to enter upon another. His prospective father-in-law, gave him scant encouragement. Democrat to

the marrow, Daniel P. Rhodes used to say to the young suitor, "I like you very well, Mark, but you are a screecher for freedom." Mark was 27 before he finally wore down the parental prejudice and carried off his bride. But he did not carry her far, as her determined parent insisted that the young couple make their home with him; and he saw to it, later, that the son-in-law was made part and parcel of the iron and coal firm of Rhodes & Co.—so much a part of it that it eventually became M. A. Hanna & Co.

In business, as in everything, Mark Hanna was buoyant and aggressive, but when clearly insuperable obstacles

piled up in his path he could quit gracefully. This indicates the perfect salesman, and in confirmation we have Croly's statement that "his brother, Leonard C. Hanna, believes him to have been one of the first commercial travelers in the United States—which is a distinction of a kind." Business was to him a game; money was not gained for money's sake; dollars were merely the counters in the game. Success came easily, and failure was quickly forgotten. His great business success was in coal and iron, but he also acquitted himself creditably in the theatrical business, commercial banking and street railways. He made a failure of news publishing, the shipping business and oil—though in the two last cases failure came during his severe illness from typhoid fever and from immediate causes entirely beyond his control—shipwreck and fire.

Tom Platt was more wary; there is no record of his failing in any business venture—and not because he lacked enterprise, for the successful young druggist soon became President of the Tioga County National Bank, the United States Express Company and several other business corporations. But he was cautious. He wrote in his memoirs: "I drifted into politics—just drifted. I drifted into Congress. I also drifted into party leadership as I drifted out." To many the word "crept" would seem more Platt-like here than "drifted"—"I crept into politics—just crept. I crept into Congress. I also crept into the party leadership, as I crept out." Platt stalked his game; Hanna brought his quarry down by sheer force—and mostly in the open.

President Harding's first Postmaster General (who deserted to the "pictures"—and \$150,000 a year) is said to have been Chairman of his Precinct Committee at 19; Tom Platt was effective in politics at 22. Two years later he was elected County Clerk. The youthful Hanna, as we have seen, was characterized as "a screacher for freedom." Platt's first piece of political work was in "warbling campaign ditties" in support of John C. Fremont, the anti-

slavery candidate of 1856. In early political life both were lined up on the reform side—but then, so were Georges Clemenceau and David Lloyd George.

OHIO POLITICS

For three generations there has been more politics in Ohio than anywhere on earth. It is a divided State, half agricultural and half industrial; there are districts where the people are nearly all rich, and districts where they are nearly all poor; it is half Republican and half Democrat—and every second year it goes more than half mad with political scheming and excitement. In spite of this stimulating environment Mark Hanna did not become a factor in State politics until the organization of his Cleveland Business Men's Campaign Club in 1880. He held no political office until he was jammed into the United States Senate in his sixtieth year.

Hanna's Pike's Peak was the United States Senate. Senator or "bust"; this expressed the only political ambition he ever held for himself, except that in his declining years he thought a little of being President, and thereby frightened the ambitious young incumbent of that office, Theodore Roosevelt, into a fidget of alarm. This longing to be a Senator became acute in 1896; but just then the stench of big money, political money, was so thick about him that, though he could make McKinley President, even Hanna could not have elected Hanna Senator. Appointment was another matter, and that he and President McKinley could and did accomplish. Let Champ Clark, Speaker of the House during the Wilson period of national politics, tell the story:

President McKinley and Marcus Alonzo Hanna were bosom cronies and had been for years. McKinley was under deepest obligations to Hanna, both financially and politically—financially because when McKinley found himself in debt in the large sum of \$65,000 by reason of having to pay the debts of friends for whom he had gone security, Hanna raised a "pony purse" and paid him out; politically for reasons which all the world knows. It was altogether natural and to his credit that when he came to be President he desired to do something for his powerful and faithful friend, whom he and everybody else rated as a Presidential Warwick. He could by his mere ipse dixit have given him a Cabinet position, and as a matter of fact pressed him to accept a

Cabinet portfolio, especially that of Postmaster General. Everybody took it for granted that Hanna would be in the Cabinet, as his antecedents indicated that that was the official position for which he was best fitted. To the surprise of McKinley and everybody else, he firmly and repeatedly declined a Cabinet place, but let it be known that he wanted to go to the Senate of the United States. No doubt if McKinley could have appointed a United States Senator he would have appointed Hanna; but he could not appoint a Senator, and, what was more and still worse, there was no Senatorial vacancy from Ohio. Consequently, while McKinley was amazed at Hanna's ambition for a Senatorial toga in preference to a Cabinet portfolio, the two laid their heads together to secure the creation of an Ohio Senatorial vacancy. It was absolutely preposterous to suggest to Governor Joseph Benson Foraker that he decline or resign the Senatorial term—his first term—to begin March 4, 1897. But as a Senatorial vacancy must be created to satisfy Hanna's ambition, and as Foraker was utterly hopeless, it was made by inducing John Sherman to resign from the Senate and to accept the Secretaryship of State. Hanna was first appointed his successor after much pressure was brought to bear on Governor Bushnell, whose nomination for Governor Hanna had bitterly fought. There was a red-hot row, much intrigue, much manipulation, but Hanna was appointed, while Foraker, who had made Bushnell Governor, like Saul of Tarsus at the stoning of Stephen, stood by consenting, very much to his subsequent regret.

Strong is a word that can be applied liberally in describing Mark Hanna's work, but his strongest piece of political management was the nomination and election, in 1896, of William McKinley. Beside being a powerful political stroke it was tremendously constructive. It grasped the national mind, which was wabbling sadly in its financial thinking, and set it squarely and firmly upon a base of gold. Many have claimed credit for the gold plank in the Republican platform of 1896, and claimed it with heat and feeling. Platt calls the "insertion of the gold plank in the St. Louis platform the greatest achievement of my career." Friends of H. H. Kohlsaat of Chicago said he wrote it. Governor Joseph B. Foraker penned a withering reply in which he claimed credit, and drew the bucolic applause of that fierce Kansan, John J. Ingalls. No one person wrote the gold plank; it was a joint production. But, overshadowing the mere writing was the double task of floating the plank into place through the turbulent waters of unformed opinion, and of chaining securely upon it the leading candidate, Major McKinley.

On the eve of this momentous conven-

tion, the most important since 1860, into town came Senators Lodge and Platt, thunder lowering on their brows. Did Mr. Hanna know that the East wanted gold, gold in capitals, written in the platform? Mr. Hanna knew, but he could assure them of nothing. This was the charmed reply; this was the winning stroke. It sent those two lean leaders baying through the pack until they had raised a hue and cry for gold that, like the heavenly anthem, drowned "all music but its own."

MCKINLEY'S CURRENCY VIEWS

The job of lashing the Major to the plank and floating him into place with it was another matter. Always the intent high priest of protection, McKinley seems to have been negligent of money matters—personal and national. Hanna had just pulled him back from the verge of bankruptcy, and he had made the not slight slip of being a silver man most of his life. Yes, William McKinley voted for silver (in Congress), voted twice, and voted to carry it over the veto of his own Republican President. A humorous flash from the weird alchemy by which his silver thoughts were later transmuted to pure gold is found in a letter from Walter P. Brownlow to Campaign Manager Hanna. Brownlow was stumping Tennessee—McKinley for President, and free silver for every one, Hanna got wind of it; ordered the orator to drop silver and to remember that the Major was the gold-standard man. Brownlow replied that he regretted his offense; and, if we can take the late Richard W. Austin's word for it, he added:

The most eloquent silver speech I ever heard fall from human lips was made by Major McKinley some years ago. I did not know he had changed his views, and was going up and down quoting his remarks on the coinage question. I will, however, conform my speech to your suggestions, but I beg of you that should he again change his views, you will telegraph me notice in advance, so that I can still work in harmony with our great leader!

By a vote of 812½ to 1101½, Hanna put this silver candidate over on a gold convention.

Mark Hanna's military experience was "slight." Speaking to a G. A. R. encampment of his single contact with the Civil War, a "brush with Early," he

might have stated more accurately that his regiment had had a brief engagement with this General while he, on leave, was home communing with his sweetheart. But in the great political battle of 1896 he fought in the front line, and as field marshal of the victorious host. McKinley's nomination, the first key position stormed and taken, was the reward of early and careful planning—and the generous use of money. The McKinley egg was put under the hen in 1888; a patient man was needed to watch that hatching through. The direct cost of the nomination was \$300,000, and it was largely Mr. Hanna's money. Three times, since 1884, had Mark Hanna dreamed of President-making; this time he was not to be denied.

Electing the Major was a Marne, and "Boy" Bryan went the way of General von Kluck. Of this John Hay—the only statesman since Disraeli who could write State documents with one hand and popular novels with the other—said in a letter to Henry Adams:

The days have been gray and muggy; the air clasps you like an affectionate devil fish. The boat is filled with highly respectable New York Democrats who say they are going to vote for McKinley, and then go below and are sick at the thought of it. Poor things! I am sorry for them. Why can't they vote for him and like it? * * * On the other hand, whisper it soft and low, a good many worthy Republicans are scared blue, along of the Baby Orator of the Platte. * * * What if the Baby Demosthenes should get in with this program: Free silver; abolition of Supreme Court; abolition of national banks; confiscation of railroads and telegraphs! Add to this such trifles as making Debs Attorney General and you or Brooks (Adams) Secretary of State!

This was a London view, for Hay was writing on the steamer, homeward bound. On Oct. 20, having canvassed the situation in New York and Cleveland, and having seen Hanna and other leaders, he sent another note to Adams: "Most of my friends think Bryan will be elected and we shall all be hanged to the lampions of Euclid Avenue." He adds, however, a few lines further on: "You are not interested in political news. If you were, I would give you a pointer. The Major has a cinch—and don't you forget it."

It has been alleged that \$12,000,000 was poured out in winning to McKinley

the public confidence. The evidence does not support so large a figure, but unprecedented sums were raised. It was Mark Hanna who "smote the rock" of Republican resources, and straightway from it huge treasure gushed. It was his deft hand which guided it in a million little rivulets to fertilize the spots where McKinley votes were seeded. Nearly a million ballot marks was the margin of the Bryan defeat.

COST OF ELECTING MCKINLEY

The election of the little Canton attorney upon a twenty-four-carat platform was Hanna's masterpiece, but it was in the Republican convention of 1900 that he reached the apex of his power. The second Marne was easier than the first. The enemy had already met defeat on this same field; Bryan and free silver had been beaten—and untold resources now backed the Republican campaign manager. When the convention opened the Ohio boss had become the nation's boss. He had met, in 1896, the combined leaders of the New York and Pennsylvania gangs, and they were his. Platt, piqued at his inability to sell the New York delegation for the Treasury portfolio, had worked with Quay to beat McKinley, but they had fallen beneath the wheels of the triumphal car. There were no other worlds to conquer. Mark Hanna smiled.

When Hanna went up to Philadelphia his President gave him but one instruction: Bliss will do; Dolliver will do, but we will not take young Roosevelt. (Garret A. Hobart had died, and the convention had as its principal business the nomination of a candidate for the Vice Presidency.) When the convention opened Hanna could have dictated almost any name he chose. Being so secure in his power, he felt he could let things run. But old Tom Platt's mind was fully made up—and closed. He had had enough of his reform Governor; New York's candidate for Vice President was Theodore Roosevelt. Instantly Mark Hanna spoke up. No, any one but Teddy. But this time Platt prevailed.

The New York boss, too, had gone to Philadelphia on the crest of the wave.

For sixteen long years, following the Civil War, Platt had worked and schemed for the Republican Party and for his advancement in its ranks. From shell hole to shell hole he had quietly wormed his way, until, in 1881, he stood at the side of the gallant leader, Roscoe Conkling. Then came disaster; and it was not until the fat Republican year of 1896 that he was restored to power. Avowing Conkling "one of the handsomest men he ever met," Platt goes on to say: "He was over six feet tall, of slender build, and stood straight as an arrow. His hair was just turning gray. A curl, described as Hyperion, rolled over his forehead, an imperial added much to the beauty of his Apollo-like appearance. His noble figure, flashing

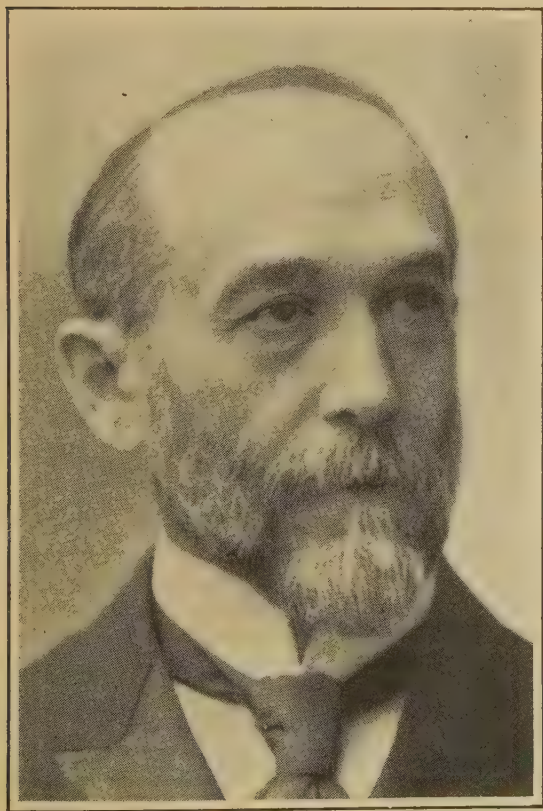
eye and majestic voice, made one forget that he was somewhat foppish in his dress." Hanna, by the way, had something of the same hero worship for McKinley. Speaking of their back porch meetings at the White House, this American Warwick said of his King: "He had little to say of the sad things of life, but was always an optimist, and his enthusiasm was infectious. He was particularly fond of telling and listening to stories and cracking jokes, always in that good-humored and gentle way which never possessed the rapier touch of satire or temper." Hanna genuinely admired the President. Loyalty was, with him, and Platt, too, an outstanding trait.

Loyalty cost Platt his Senatorship and sixteen long years of wandering in the wilderness outside his stockade of established power. Conkling had been refused the Senatorial courtesy in some New York appointments to Federal office; this imperious Apollo thereupon withdrew from the United States Senate, and to complete the gesture, Platt, too, resigned. The manoeuvre was a sad failure. Mrs. James G. Blaine, clever and discerning wife of the Plumed Knight from Maine, writes:

We had yesterday, with the rest of the world, the sensational resignation of Conkling and Platt. They produce no excitement here, and I have yet to hear one criticism complimentary of Conkling, though I have seen all sorts of people and of every shade of cowardice.

"ME-TOO PLATT"

Known forever after as "Me-Too Platt," discredited in his own State, it was not until 1896 that he was returned to the Senate—and peace and plenty. A peace sadly broken by Roosevelt's Governorship, and only renewed when, in 1900, he made the young Governor walk the plank—not, however, to plunge into the sea of ex-



Brown Brothers

THOMAS COLLIER PLATT

For many years Republican leader in New York State, he was elected United States Senator in 1881, only to resign a few months later, and again in 1896 and 1902. He attended every Republican National Convention from 1874 to 1900

pected oblivion, but to be whisked to the highest pinnacle of power.

Young Roosevelt (in spite of some inopportune, high-flown remarks of his) had made his entry into politics by beating a hard-boiled Platt candidate for office. Then, too, Platt hated, above all else, civil service reform, and throughout his life Theodore Roosevelt was its outspoken champion. But when the bronzed, perspiring, squinting young Colonel of Rough Riders landed at Montauk Point, "bearing his blushing honors thick upon him," there was nothing to do but to make him Governor. Black, the incumbent, was drowning in the graft-dirtied, political waters of the New York State canals; he could not be elected, and Teddy could. Platt did not trust this youngster; "Lem" Quigg, who always seemed to understand his notions, was sent down to question and instruct. Roosevelt gave promises (not satisfactory, but something). They were "a good and valuable consideration"; and he soon found himself in Albany.

"In choosing my lieutenants and candidates," says Platt, "I invariably insisted upon the qualification that the man must know enough to stand when hitched." Then, doubtless with one particular man in mind, he adds: "The list of those who have ignored or defied this rule would fill a large volume." Roosevelt meant to stand when hitched; he tried hard and often; he consulted Platt on all important appointments; and, though Governor of the most powerful State in the Union, it was his habit to run down to New York from Albany to see Platt at the Fifth Avenue Hotel and find out what he wanted. But on an occasional big issue his better self got the upper hand, and he would rear back on his hitching strap until it snapped. When he whipped the corporation franchise tax through the Assembly (after the Speaker, rather than deliver his special message, had torn it up), this coltish Governor shied badly and kicked the Senator on a tender spot, his pocketbook—for it was the corporations that put shot in Platt's lockers and powder in his magazine.

Then came 1900 and the vacant Vice Presidency—and Platt's chance. Sitting in "Amen Corner," the plush bench meeting place of his "Sunday school" in the Fifth Avenue Hotel, Tom Platt of New York and Matt Quay of Pennsylvania struck hands and decided that Roosevelt must go to Washington—as Vice President. Teddy balked and bucked and pranced off to tell Washington he would not accept. "No," said Mr. Root with his meagre, withering smile, "You aren't fit for it." Even very young boys do not like their caps yanked down over their eyes—he would show Mr. Root if he was not fit for it!

An impression remains that in this year the Vice Presidency went begging. Not at all. There were good men available, and others were pressing who were not good. Hanna had a candidate that McKinley asked him not to urge, and the President, had he thought it wise, could have named a man or two. "Tim" Woodruff of Brooklyn pointed a slightly anxious finger at himself; but, faced with Mark Hanna's question, "Do you realize that only one life would stand between you and the Presidency?" the Long Island boss withdrew. Enter, then, the hero boldly set off with a Rough Rider hat. Why, if he sought nothing, did he wear that hat? This was the question that puzzled Champ Clark twenty years later. (The Missouri mind, indeed, works slowly—but it grinds exceeding fine.) Nobody seemed to want Teddy but the whole people, who loved him, and Tom Platt, who did not. Platt—or perhaps the whole people—prevailed. Roosevelt was nominated. Always emotional, he accepted the nomination from a medley of feelings—a fighting stubbornness born of being told he was not wanted, pride at the great and jolly ovation he was given, and a sense of duty impelling him to listen to the unmistakable voice of the people. At any rate, the job was done. Platt smiled, nudged Quay; Quay smiled; Hanna shook his head. They all went home.

What gave these giants their strange power? Loyalty; unremitting labor in the interest of party; patience; and the

huge mental inertia of a people who preferred to have their minds made up for them—but here is Platt's own statement: "Let me observe right here that no leader can exist any longer than his party desires him. And no party can last longer than a majority of the people wish * * * I found what the people wanted. Then I did my best to give it to them." Is this all vapid platitude? No, especially not the last. For this is the great P. T. Barnum's formula applied to politics instead of circus—and is there a difference great enough to prohibit double application? Hanna's formula was similar; he depended slightly more on personal energy and money; but both he and Platt tried to fill the people's wants, and in exchange expected prestige and power. With

power came patronage (which Disraeli says "is the outward and visible sign of an inward and spiritual grace, and that is power.") And with patronage came a fief of tenancy—not a fief for life, to be sure, but a fief "for good behavior."

We are speaking of an age that is past and of men that are gone—like the dinosaurs, dead as they were dreadful. And those silent, careful, tractable candidates, of whom McKinley was the perfect type, they, too, are gone. Persons today profess to see in Mr. Coolidge many McKinley traits; and Mr. Harding was, indeed, a legitimate son of the McKinley-Taft dynasty of Ohio Presidents, but no Hanna loomed behind the Harding term, and no Platt gnashes his teeth over the accident of the Coolidge incumbency.

ARE RADICALS INSANE?

by Charles T. Kelley

IN the past few years we have had several startling theories advanced by eminent men of scientific and scholastic achievement tending to show that the class unrest and rabid radicalism which is now sweeping the world is due not so much to economic or social inequality as to a lessening of the mass intelligence. Dr. Stoddard, in his "Revolt Against Civilization," and several eminent biologists, have agreed that there exists a correlation between immature intelligence and unsound radicalism, bringing forward interesting statistics and biological data in substantiation of their theories. The question that naturally arises after study of these theories is whether the same results would be arrived at by any keen observer who has had the opportunity of personal acquaintance and insight into the radical mind.

Radicalism in general revolves mainly around the industrial problem. This is not a class problem in America; it is largely an individual problem. Civilization, after all, is but the expression

of the individual. The Government is indebted to the individual, but the individual is also indebted to the Government, for the Government is simply an attempt to enforce the will of the majority. This fact has been completely lost sight of by most of the radicals whom I have met. (I use the term radical as referring only to those

The Rev. Mr. Kelley, well known also as "General" Kelley, was himself originally a radical, taking a prominent part in the Socialist Party and helping to nominate Eugene Debs the first time for President. He has been intimately acquainted with social revolutionaries of all schools of thought, and has a deep understanding of the conditions of the working class. He served as an officer in "General" Coxey's army, and in 1894 led 3,000 men (one of whom was Jack London) on a march across the continent to present, on behalf of the unemployed, a petition to the President and Congress. In 1914, while leading a second army of unemployed to Washington to demand the initiation of public works to relieve the critical labor situation, Mr. Kelley was arrested at Sacramento, Cal., and sentenced to serve a term in the county jail. He then began to reconsider his radical attitude and subsequently came to the conclusion that it was unsound. Since then he has devoted himself to charitable, religious and educational work among the more unfortunate sections of the working class, and is now Secretary of the Hope Hall Social Service, the Working Men's Christian Association, San Francisco.

who advocate direct action or forceful revolution.) They look upon the Government as an oppressive monster trying to browbeat them at every turn and against which they have no redress save complete annihilation. They are sincere in their feelings and imagine themselves going forth in the guise of a David to slay an incarnate Goliath and free their fellow-men forever from "the slavery of capitalism."

The basis of this false viewpoint of the radical mind is threefold—misinterpretation of other men's theories or statements, lack of inherent intelligence or lack of education. Very few of them are maliciously diabolical, as is so often openly charged. Save in cases of absolute insanity, I have found the radical to be little different than any other human being—kindly, sincere, earnest and striving for what he honestly believes to be right. Convince him that he is wrong and he will become a valuable member of society; oppress and antagonize him and he becomes a dangerous criminal.

Taking the first of the three causes for the radical's warped viewpoint—misinterpretation of other men's theories or statements—we come face to face with Christian doctrine. Jesus, in his early teachings, was one of the first to bring forward the idea of "the brotherhood of man." What he undoubtedly meant by this was a greater and more genuine consciousness of the moral obligations of each man toward his fellow-man; but unfortunately the phrase has been misinterpreted by many radicals as meaning "a standardization of man" which, they believe, can be accomplished by political reorganization.

Another misunderstood phrase is "the equality of man." Translated in the radical sense, it signifies only one thing, that all men are equal in every respect and should be treated as equals and, since they are not so treated under the present system, the radical argues that the system must be changed to another founded upon the basis of the equality of man in fact as well as in theory.

These two ideas are the keystones of

the different radical doctrines. The fallacy that all men are the same fundamentally is obvious. All men require the same basic bodily necessities—food, clothing and shelter—but beyond that generalization it is impossible to go. Tastes and dislikes differ; one man is happy in a sack suit, another prefers evening dress; one is satisfied with a diet of bread and milk, as in the case of several great scientists, while another enjoys only the richest foods. No single standard can be set up as a rule for all. Not only is this true as regards bodily wants, but it is also true as regards intelligence, spiritual concepts and esthetic desires.

The brotherhood of man, again, cannot be established by statute nor by a revolution and change of system. It is a moral and ethical question; upon it rests the future regeneration of our economic system and an outlet for our present difficulties. Under the present competitive plan, it is "each man for himself and the devil take the hindmost." Today the capitalist and the laborer are each trying to get the best of the bargain with complete disregard for the welfare of the other or the good of the general public at large.

If the general public get together and cooperate in studying the question and adopting whatever improvements seem sound and for the advancement of the general good, we will do much more toward bringing about an actual brotherhood of man and preventing any possible revolution in this country, than if we join one side or the other, or stand apart and criticize every new idea bitterly without examining into its intrinsic merits and continue to indulge in what Professor Robinson, in his "Mind in the Making," so aptly characterises as "rationalizing."

HATRED OF BEING BULLIED

What man hates is not to work, but to work at the bidding of another man—especially if that other man is egotistical, overbearing, unreasonable and "a driver." Yet the radical, instead of blaming the individual, places the blame for the injustices done him upon the system, upon the Government. He

does not stop to realize that such a condition of affairs would be the same under any system of government as long as human nature remains the same. Conditions are but a mirror of mankind and until you change mankind you can never change conditions.

In the few centuries that there has been any human civilization, mankind has changed and changed markedly. During the neolithic era, it was quite ethical to eliminate personal competition with a stone hammer; today such a deed is looked upon with horror and disgust, is classed as murder and is punishable by law. During the lifetimes of some of us, racial slavery has passed from favor to disfavor and, together with the right to commit murder, has been abolished forever.

In considering the second reason for the radical's acceptance of many theories palpably impossible of realization—the lack of inherent intelligence—we enter into a field which emphasizes the natural inequality of man more than do any differences in his physical likes and dislikes. No two men are equal in their wants and desires or in their physical stature; nor are they equal in their innate intelligence. Edu-

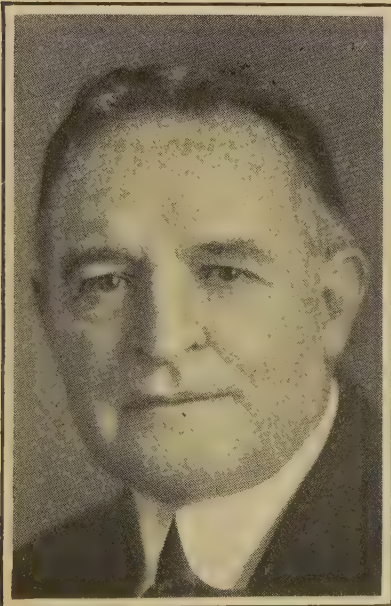
cation is a thing acquired through academic training and world experience; intelligence is the potential intellectual capacity which we inherit from our forebears. Like red hair and black eyes it is "a gift of God"—an individual quality which circumscribes the limits of our possible achievements during life.

Mankind falls intellectually into four main divisions which may be classified through the medium of a simile between the human brain and a common blackberry. Both a human brain and a blackberry are divided into numerous small cells and in a brain of the lowest intelligence only a few of these cells are developed, so that the whole is like a defective berry with only one of two of the drupes ripened, while the remainder of the berry is still immature and green. Proceeding with this simile, we find that there are four divisions of brain development: (1) The one-quarter-ripe intelligence, where the development of the brain is equal only to that of a child's of not more than 7 years of age; (2) the half-ripe intelligence where the brain development is that of a child between 7 and 14 years of age; (3) the three-quarters-ripe intelligence equivalent to that of a youth between 14 and 21 years of age; and (4) the completely ripe intelligence corresponding to a brain developed to its full maturity. All of us from the prize fighter to Einstein fall into one of these four divisions, and the members of each division play a very definite and somewhat pre-determined part in our social organization.

THE UNSKILLED LABORER

Those unfortunates who belong to the first division are the idiots, the morons and some of the feeble-minded. In this country they are usually taken care of in State institutions. A drooling of the mouth and other characteristics make them easily recognizable. Apart from the economic aspect of their maintenance as wards of the State, they play no active part in our social organization.

The second division is quite different



CHARLES T. KELLEY

in regard to State maintenance, for their intellectual development, ranging from 7 to 14 years of age, lifts them out of the "institutional class" and gives them just sufficient mentality to shift for themselves in that unfortunate border-line group that begins and ends life in the ranks of unskilled labor. The man in this classification is "the Jerry-on-the-Railroad," or "the Billy-in-Overalls." He can do nothing except under another's direction. While usually honest, he occasionally breaks the rules of social restraint and is guilty of petty larceny, vagrancy, petty thievery and inebriacy—such misdemeanors as might be expected of a boy of those years to which his brain corresponds. Seldom is he as dangerous as a criminal and never individually as a radical, for his radicalism is entirely talk—the result of a vague and indefinite discontent and the hearing of inflammatory catch phrases and illogical arguments, only part of which he understands, but which appeal to his groping mentality as offering a cure for all his petty misfortunes. Give him three meals a day, a good bed at night, a little extra money to spend for a glass of beer and an occasional ticket to the movies and he is a happy-go-lucky, genial sort of fellow and a loyal and valuable member of society to which he good-naturedly contributes his manual labor and thus performs a vital part in the weaving of the industrial fabric.

It is in the third division—those of the three-quarters-ripe intelligence—that we come upon the malignantly dangerous radical, the real menace to our social peace. Yet it is also in this division that the great majority of those who form the backbone of American civilization—the middle class—falls. This may seem inconsistent at first glance, but as we study the characteristics of the three-quarters-ripe intelligence we find that the answer is quite simple. Shrewdness, emotion, energy, and sometimes thirst for romance and greed, are the chief traits, accompanied by a total lack of foresight and a narrow, superficial outlook on life. The man in this group has just enough edu-

cation to make him superior to the man of only half-ripe intelligence and not enough to give him breadth of vision and a consciousness of his own place in the universe. The period covered by the years from 14 to 21 is one of supreme optimism, idealism and the egotism which arrives with a smattering of learning. Ambitious to play the part of the hero for which his natural ability or circumstances do not fit him, the radical in this group sees the possibility of gathering the forces of social unrest and fanning them into a revolutionary conflagration which will sweep him to the top, and free the world forever from its "iron heel" of conservative oppression. This type is not found alone among the men of the coffee-and-doughnut counters; he is also well represented in Wall Street and Washington, Greenwich Village and Carmel; for the radical is a man or woman who, irrespective of caste, position or social standing, advocates the forceful welding of society into a form in which he or she and his or her class will wield the economic and political power to enforce their will and dogmatic rule upon the remainder of humanity irrespective of the desires and wishes of the honest majority.

This type of radical, however, is not lacking in sincerity. Quite the contrary is true. Not only is he sincere, but his sincerity is so great that he is swept blindly and madly away by his own emotional enthusiasm, and is ready at any moment to give his life, if need be, for the supreme cause he espouses. Such men will at times weep at their own eloquence. Yet, turn this three-quarters-ripe intelligence into the channels of patriotism and you have an ardent citizen; temper his tempestuous intellect with good sense and natural cautiousness, and he has a stabilizer which offsets his recklessness. But remove these governors and he is apt to become anything from a stock speculator, a gambler, a business plunger to a great and cunning criminal, for he has the will to do and the soul to dare with never a thought for the future consequences of his immediate action. As with the radical in the half-ripe intelli-

gence group, financial success will often dissipate his radicalism. Social position, the plaudits of the multitude, a propaganda organization to run or a little more education, have frequently caused men of this type to turn their energy and enthusiasm from destructive channels into constructive work, which they find more genuinely fulfills their sincere aims of making the world a better habitation for the human race. The attempts to persecute them indiscriminately results only in making martyrs out of them and inspiring others to emulate them.

THE MATURED INTELLIGENCE

Among the intelligences of the fourth division—those that are completely ripe—we find, as in the first group, no menacing conflict with orderly society. They may protest and often do; they may actually set about to effect a change in the structure of our social fabric; but they do not rush madly into any movement without first giving it careful consideration and thought. The well-educated man neither condemns nor approves until he has investigated the facts. Unfortunately many in this upper group, especially such public men as college professors, ministers of religion and statesmen, have been charged with being dangerous radicals and wrongly persecuted merely because they acknowledged defects in our present economic or political system and called attention to the good points in other government systems which happened to be in popular disfavor at the time. Such persecution is entirely unjustified and misapplied, for these men are not radicals, but simply citizens asserting our American prerogative of expressing individual opinions upon matters of common welfare.

Rather than attempt to stamp out American radicalism by persecution and deportation, we can achieve more satisfactory results if we proceed to deal with it through the channels of education and by making a cooperative effort to study and get rid of whatever unfairness there may be in our social organization. Malignant radicalism is born of

ignorance, discontent and unhappiness; it is not the product of a well-balanced mind, a full stomach and pleasant surroundings. On the other hand, the right of every man to earn an honest living is unquestioned. Yet there are times during periods of labor glut when thousands of men, especially unskilled workmen, are thrown out of employment and are obliged to walk the streets and beg. Many industries requiring unskilled laborers, like farming, fruit drying, ice cutting, lumbering and salmon fishing, are seasonal. Many others, like the steel industry, are forced to close their plants for several months at a time because of overproduction. No provision is made in our industrial organization for the employment of these men in other lines of useful endeavor. What happens to them during the periods of inactivity? Some of them travel back and forth across the country in box cars or along our highways, following, as best they can, the geographical curve of the labor demand. Others who have families remain at home doing odd jobs and living on their savings. As long as the demand for labor coincides with the supply, or nearly so, they can manage to make both ends meet; but the moment the supply exceeds the demand a certain percentage of them awaken to find themselves unable to find work. Then, unless private charity comes to their rescue, they are faced with the spectre of starvation. About them they see well-fed people going about their business apparently unconcerned about the fate of any one but themselves. Is it any wonder that they become embittered against society or turn to crime or mendicancy? In spite of our patriotism, would we not feel resentment against a social organization that could be content to go its selfish way without providing a means whereby we could at least earn the daily bread necessary to keep health and life in our bodies?

While our country was unsettled and there were vast areas of unclaimed fertile land in the West the labor surplus was taken care of through immigration, as it has been in Europe until very recently. Since, however, the tide of pop-

ulation has swept across the continent to the Pacific and is being thrown back, the problem of what to do with the surplus of unskilled labor really arises for the first time in American history. From a study of past civilizations we find that there are three ways other than our own of disposing of it. Persia met the problem by taking the surplus into its armies of conquest; Rome by public charity; Egypt and China by the construction of great public works. The pyramids, the canals, the Chinese Wall are living testimonials to the last-named system, which, of the three, seems best adapted to this country.

DANGERS OF UNEMPLOYMENT

At present there is a shortage of labor so small that whatever surplus there might be in the near future could be assimilated through army recruiting and other minor channels; but it will not be long before we shall again experience a recurrence of another labor glut such as occurred directly after the war and during the financial depression. Unless provision is made to overcome the difficulty this new period of unemployment will result, as in the past, in the recruiting of thousands of hungry workmen to the radicalism of direct action besides driving many others to mendicancy, crime and generally stirring up widespread social unrest.

We do not possess, and it is to be hoped we never shall possess, an army of conquest, so that that ancient solution is out of the question. Neither is the maintenance of an idle population at public expense in harmony with American ideas and ideals. Thus we are left with the one possible remedy—the construction of great public works. Such tasks as the building of dams and

the improvement of public highways could be carried on under the auspices of the War Department in a manner similar to the construction of the Panama Canal. Such a scheme would not only create an elastic labor market in which men could find work in times of economic pressure, but would also eliminate much public and private charity and add substantially to the wealth for the nation. In operation a public works system to cope with unemployment would be comparable to the expanding and contracting of our currency under the Reserve Bank system, which has already proved successful in thwarting the widespread financial panics which used to terrorize business and labor alike.

Unless provision is made to stabilize employment, what will be the outgrowth of radicalism in America is difficult to predict. Justice toward all, education, tolerance and an appreciation of the other man's viewpoint will do more to uphold American institutions than any amount of so-called "patriotic propaganda" or social persecution. No government that has to maintain itself by propaganda and espionage can hope to endure for long in domestic harmony. Our American Government is, after all, nothing more than an arrangement whereby we agree to live peacefully together here upon this portion of the earth, so that we can enjoy the advantages of mutual assistance in procuring the four fundamentals of human life—food, clothing, shelter and happiness. Although the advancement from a handicraft stage to the present highly specialized industrial stage of civilization has brought with it the necessity for certain changes and re-adjustments, there is no reason why these changes and re-adjustments cannot be made without internecine strife and revolution.



GERMANY'S CHANGED ECONOMIC SITUATION

by Frederick Simpich

PRE-WAR Germany enjoyed excellent economic health. Its birth rate was high. The death rate was rapidly declining. The annual excess of births over deaths was about 800,000, and 97 per cent. of the population found work enough to make a good living in their native land. Business was so good, industry so thriving, that at the outbreak of the World War the yield from investments was between 7 and 8 per cent. Even in times of crises few people were ever out of work.

We still remember this old Germany as a land whose population increased faster than that of any other Western power, whose merchant fleet was next to England's and which ranked second among all manufacturing nations. This prosperity rested on the basis of intensive farming, possession of enough raw materials to support certain great industries and an ample supply of highly trained workers. Of these latter, nearly 12,000,000 were engaged, when the war came, in producing raw materials and turning them into finished or semi-finished articles. "These workers," says a German official report, "were characterized by an assiduity, a susceptibility to organization and an exactitude in work which, coupled with high standard training, rendered them particularly suitable for the development of a highly specialized industry. The devotion to natural sciences and to the technical arts greatly assisted in promoting the expansion of German industry. The wealth of the people, and especially of the middle classes, rendered it possible to train technical and industrial leaders in ever-growing numbers."

The country's highly developed commercial mechanism had so stimulated

the home market that Germany in 1914 was consuming between 70 and 80 per cent. of its own production. The surplus was exported, sharing with other nations in the trade boom that swept the world in the decade before the war. Germany gained by this boom; yet, as her factories multiplied, using more raw materials and drawing more people from agriculture into industry, imported crude stuffs and food became increasingly necessary. In the twenty-five years before the war, though her farm population had not increased at all, intensive farming had increased her crop yield by 90 per cent. This, however, was not enough to feed her, and even in 1914 she was importing one-fifth of her food. Raw materials to keep many shops going had to be bought abroad. For her great textile mills she had to import practically all raw stock; in great part this was true of the leather and wood-working plants. Even her metal industry depended on the world market for certain auxiliary materials, like copper and certain pig irons. A study of her trade balance in normal years shows that 50 per cent. of all imports consisted of raw materials and foodstuffs. Almost every increase of exports was the result of a previous increase of imports. It has been said that Germany's position in the international money market, even combined with her possession of colonies and foreign investments, did not suffice to form an effective counterweight to this position of dependency. These same close ties between world trade and home industry made Germany very sensitive to any

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signals of hard times abroad—a sensitiveness made more acute by the social tension which resulted from the rapid growth of industrialism, and its vast accumulation of labor in big cities of mushroom growth.

In other words, at the outbreak of the World War, German industry, though earning increasing profits, was of too recent a date to have permitted a corresponding accumulation of capital wealth. The per capita wealth of Germany, for instance, lagged behind that of France by 50 per cent. Germany had not the same percentage of old-established fortunes as are found, for example, in England. Most of the well-to-do got their incomes from the profits of prosperous but fairly new enterprises.

To realize, then, some of the effects which the peace terms and other events since the armistice have had on rich and poor, on capital, labor and intelligentia in Germany, it must be remembered that many of the favorable conditions of pre-war days have been swept away. This blow to the complex German economic machine is seen even in external symptoms. The birth rate in 1923 was only one-half that of 1913. Though nearly six years have passed since peace

was signed, and though nearly half the world is still practically closed to German nationals, emigration returns have passed the level of 1890. Official emigration tables show:

1913.....	25,843
1920.....	8,548
1921.....	23,451
1922.....	36,527
1923.....	101,320

There are many known reasons, however—chief of which is poverty—why these figures do not reflect at all the widespread desire to quit Germany. Any American, who speaks German and has visited Germany since the armistice, can testify to the numbers who constantly ask financial aid to emigrate, or advice as to how to get out of Germany and where to settle.

As has been often stated, the Treaty of Versailles took from Germany about 10 per cent. of her population and 17 per cent. of that territory which grew cereals and potatoes. Statistics show that post-war crops are 25 per cent. under normal because of uneconomical cultivation of the soil during the war and the lack of fertilizers. "Consequently," says a German official statement, "it would have been necessary almost to double the imports of foodstuffs to bring up the standard of nourishment to

GERMANY'S SHARE IN THE FOREIGN TRADE OF VARIOUS IMPORTANT COUNTRIES IN THE YEARS 1913 AND 1922

COUNTRIES.	1913			1922		
	Total in Millions of the Currency Unit of the Country in Question	Of Which From or to Germany.	Per Ct.	Total in Millions of the Currency Unit of the Country in Question	Of Which From or to Germany.	Per Ct.
Imports—						
¹ Belgium (francs)....	5,049.9	761.8	15.08	9,098.0	1,213.8	13.34
² France (francs).....	8,421.3	1,074.3	12.76	23,900.6	1,299.0	5.44
Italy (lire).....	3,645.6	613.0	16.81	15,728.3	1,258.8	8.00
Great Britain (pounds)	768.7	80.4	10.46	1,003.1	26.5	2.64
U. S. (dollars).....	1,793.0	184.2	10.27	3,112.5	117.5	3.77
Exports—						
¹ Belgium (francs)....	3,715.8	940.4	25.31	6,083.1	850.0	13.97
² France (francs).....	6,880.2	869.5	12.64	20,642.0	1,761.8	8.53
Italy (lire).....	2,511.6	343.4	13.67	9,292.8	968.9	10.43
Great Britain (pounds)	634.8	60.5	9.53	823.2	49.1	5.96
U. S. (dollars).....	2,484.3	351.9	14.17	3,831.9	316.1	8.25

¹From May, 1922, onward, inclusive of Luxemburg.

²1922, inclusive of Alsace-Lorraine.

FOREIGN TRADE

General Analysis of German Trade Before and After the War

Deliveries under the Treaty of Versailles excluded.

(Schedule of Values.)

	Value ¹ in		Value ¹ in	
	Millions of Gold Marks	P. C. of Imports	Millions of Gold Marks	P. C. of Imports
(a) Imports	1913		1920	
1—Animals, living	289.7	2.6	72.1	1.8
2—Food and drink	2,796.5	24.9	1,606.9	40.7
3—aRaw materials	4,997.1	44.6	1,304.2	33.0
3—bArts. partly mfgd.	1,263.3	11.3	387.5	9.9
4—Arts. wholly or mainly mfgd.	1,422.1	12.7	558.0	14.1
5—Gold and silver	437.4	3.9	18.5	0.5
Total (1 to 5)	11,206.1	100	3,947.2	100
(b) Exports				
1—Animals living	7.4	0.1	3.5	0.1
2—Food and drink	1,068.7	10.5	73.0	2.0
3—aRaw materials	1,300.7	12.7	285.8	7.7
3—bArts. partly mfgd.	939.8	9.2	217.1	5.8
4—Arts. wholly or mainly mfgd.	6,778.3	66.5	3,129.6	84.0
5—Gold and silver	103.7	1.0	15.0	0.4
Total (1 to 5)	10,198.6	100	3,724.0	100
(a) Imports	1921		1922	
1—Animals, living	153.9	2.7	81.6	1.3
2—Food and drink	1,991.7	34.6	1,292.9	20.5
3—aRaw materials	2,223.2	38.7	2,829.2	44.9
3—bArts. partly mfgd.	621.5	10.8	986.4	15.6
4—Arts. wholly or mainly mfgd.	741.8	12.9	1,112.7	17.6
5—Gold and silver	18.6	0.3	8.7	0.1
Total (1 to 5)	5,750.7	100	6,311.5	100
(b) Exports	May-Dec., 1921 ²			
1—Animals living	3.6	0.1	12.3	0.2
2—Food and drink	144.2	4.8	201.1	3.3
3—aRaw materials	211.2	7.1	363.7	5.9
3—bArts. partly mfgd.	194.5	6.5	498.8	8.0
4—Arts. wholly or mainly mfgd.	2,436.5	81.1	5,104.7	82.3
5—Gold and silver	12.6	0.4	18.8	0.3
Total (1 to 5)	3,002.6	100	6,199.4	100

¹For 1913 in gold marks; for 1920 to 1922 in values calculated on the basis of the standard values for 1913. ²For the exports of 1921 figures for the last eight months only are available.

the pre-war level, and it was only by restricting consumption to a degree injurious to the health of the nation that the problem was solved."

In an official Government statement issued in January, 1924, it was stated that, as regards raw materials, Germany has lost 26 per cent. of her pit-coal. Deducting reparation deliveries and the working consumption of the mines themselves, Germany had at her disposal, after the partition of Upper Silesia, 30 per cent. less coal and lignite

than before the war. In consequence of the reparation deliveries, Germany was obliged to import as much coal as she had exported before the war. During the past year the occupation of the Ruhr has withdrawn from Germany's control 76 per cent. of her remaining output. Three-quarters of her iron ore and two-thirds of her zinc ore were lost with the cession of Lorraine and Upper Silesia. Instead of exporting, as in 1913, 600,000 tons of pig iron more than she imported, Germany in 1922 imported some

140,000 tons more than she exported. In 1913, there was an excess of exports over imports in semi-finished iron products amounting to 690,000 tons; in 1922 there was an excess of imports over exports amounting to 220,000 tons. The effect of the peace terms on all foreign trade is shown in the tables accompanying this article, prepared for the use of the Committee on Exports.

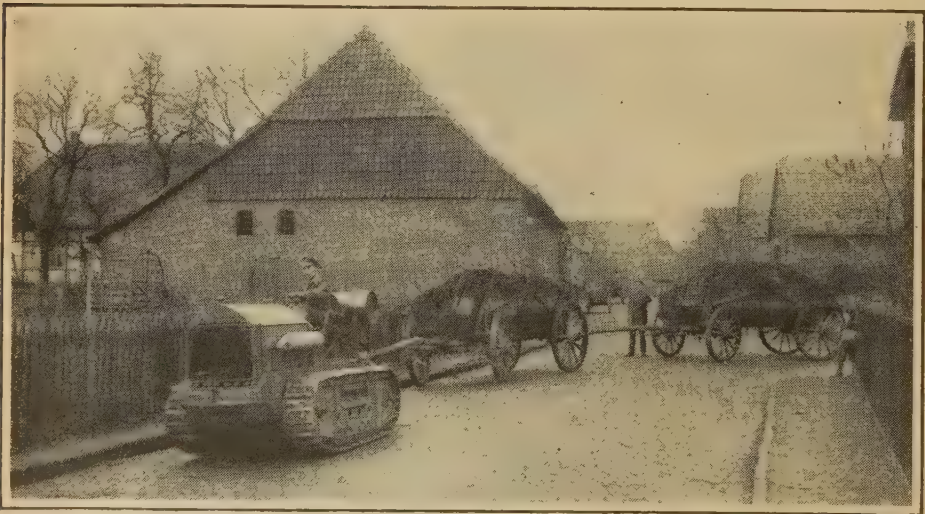
LOSS IN MAN POWER

But the severest economic losses suffered by Germany are those affecting her man power. The war cost her the services of several million men in the prime of life. In addition, a political revolution of a radical nature had a detrimental effect on mass productivity. Recuperation has been slow. Since 1919, the middle classes, who supplied the main body of intellectual workers, have been ruined by the depreciation of the currency. Moreover, that thorough training of skilled labor so long characteristic of Germany has been retarded, mostly by the necessity of earning money, at an early age, by means of any job available. The formerly widespread apprentice system has suffered, and there is little indication that Germany will quickly recover her high

pre-war standard of skilled labor. Her loss of more than one-third in production is partly due to this decline in trained workmen.

Labor has never been so vital an economic factor in Germany as now, says a report (June 11, 1923) from the American Trade Commissioner at Berlin. In the revolution of 1918, the workers won a strong position. Then came the Weimar Constitution of 1919, with its liberal guarantees to workers, and these have steadily influenced the trend of labor legislation. Among the first rights granted were the eight-hour day, the unlimited right to organize, and representation on factory councils (Betriebsräte). The effect of the eight-hour day has been a reduction in output. Industry generally estimates the present output as but 70 per cent. of pre-war production. But as official statistics are not compiled for most industries, the exact extent to which the eight-hour law has cut production cannot be ascertained.

Article 159 of the Weimar Constitution gives the workers "the right to organize for the preservation and promotion of fair working conditions and for their economic benefit generally," and declares illegal "any attempts to dissuade any one from joining such an



Caterpillar tractors are now in common use on the farms of Northern Germany, as is shown by this photograph taken near Hanover

organization or any regulation limiting or hindering this freedom to organize." This has brought, since 1919, an enormous labor union growth. In 1914, some 30 per cent. of Germany's estimated 10,000,000 workers were unionized. Now 85 per cent. of them are organized, according to the United States Trade Commissioner in Berlin.

The leading labor organizations are now the federation of the Social-Democratic trades unions, known as the Allgemeiner Deutscher Gewerkschaftsbund; two not broadly socialistic federations, the Christliche Gewerkschaften and the Hirsch-Dunckersche Gewerkvereine; three separate communistic labor federations, the Syndicalist Labor Federation, and the "Peaceful" ("Yellow") Labor Federation. Membership in these organizations increased particularly in the two years immediately following the revolution. In 1913 the total membership was 3,253,397; in 1918 it was 3,504,068; early in 1920 it was 9,801,045, and at the beginning of 1922 it was 10,073,559. The increase in the number of women is marked. In 1923, 9 per cent. of the total membership of the Allgemeiner Deutscher Gewerkschaftsbund, the Christian, and the Hirsch-Dunckersche Federations were women; in 1920, women were 20.7 per cent. of the membership.

The Gewerkschaftsbund is by far the strongest of the German unions, comprising some 70 per cent. of the total union strength at the beginning of 1922. Its power was strikingly shown when, in the Spring of 1920, it called the general strike which virtually ended the Kapp putsch. Its policies and wage demands are conservative. But "labor has not yet realized the possibilities for actual industrial control granted by various sections, such as the factory-council clause, of the new constitution," says the American Trade Commissioner in Berlin. "Except by the revolutionary groups, there seems to be little tendency among German workers to take over managerial functions generally or to destroy the present industrial system. This is due in the first place, of course, to the natural stolidity of, and habitual accept-

ance of the present system by, German labor, but very largely also to the apparent effort on the part of labor leaders to direct the labor movement into constructive and reconstructive channels."

ALLIED OCCUPATION'S EFFECT ON INDUSTRY

To grasp the economic effect of occupation, one should first consider the relations between the occupied and unoccupied territories. Occupation covers a large, densely settled and valuable part of Germany. Omitting the Sarre basin and its 700,000 inhabitants, there remains the Rhineland and the Ruhr. The Rhineland, comprising 30,000 square kilometers with a population of over 6,000,000, is under the Treaty of Versailles, to be occupied for periods of from five to fifteen years. To this has been added, since the French came into the Ruhr in January, 1923, the Ruhr District (including the so-called "Sanction Territory") with about 31,000 square kilometers and nearly 4,000,000 people. Over 35,000 square kilometers of German soil and about 11,000,000 people, or nearly one-fifth of the population of the Reich, have been subjected to occupation.

The result of this occupation on German trade as a whole is seen by a study of the important industries of the occupied areas. The last labor census of Germany (1907), showed that of every 100 workers, 31 were engaged in farming and forestry, 38 in mining and industry, and 12 in commerce, transport and communications. Percentages in the occupied territory were:

	In the Occupied Territory as a Whole.	In the Ruhr.
Farming and forestry.....	22	5
Mining and other industries..	50	66
Commerce, transport, &c....	12	13

The Ruhr and Rhineland, which are the chief seats of German industry, employ:

	Percentage for Germany.
600,000 miners	58
200,000 smelters	60
200,000 metal workers	26
91,000 chemical workers	32

In plants devoted to hardware, machinery, cotton, spinning, paper, weaving, silk production, and so forth, many other workers are engaged, so that altogether about 23 per cent. of all German industrial labor lives in the occupied areas.

Coal is the basis on which this vast industrial region is built. The Ruhr fields are the largest in Europe. German statisticians estimate that 241,000,000 tons, or about nine-tenths of all pit coal left to Germany by the treaty, lie in the occupied territory. The share of the occupied territories in the entire production of present-day Germany is estimated as follows:

	1913 Per Cent.	1922 Per Cent.
Output of pit coal.....	84.7	84.3
Coke production	90.0	89.2
	In 1913.	In 1920.
Pig iron.....	77.4	76.7
Raw steel.....	85.1	82.6
Rolling mill products.....	81.8	80.1

In other words, pre-war Germany (including Upper Silesia and Lorraine) produced annually 16,800,000 tons of pig iron and 17,100,000 tons of raw steel; today, including the occupied territories, Germany has at her disposal only 37.5 per cent. of her former pig iron production and 43.2 per cent. of her former raw steel production. Without the occupied areas in 1920 her pig

iron production amounted to only 9.2 per cent. and her raw steel production to 8.9 per cent. of her pre-war output.

On this coal and iron production Germany largely depended for maintaining the rest of her economic structure. Traffic figures show that more than half the freight carried by German rail and inland waterways passed through the now occupied areas, either going or coming. Of the 549,000,000 tons of freight in Germany's present-area trade, the now occupied areas handled in 1913 about 300,000,000 tons, or nearly 55 per cent. The corresponding figures for 1920 were 383,000,000 and 195,000,000 tons, which is to say that 50.8 per cent. of all German freight traffic touched the now occupied areas. Freight from this area moved three ways: down the Rhine and thence abroad; eastward by rail and canal to the rest of Germany and Russia; southeast by rail and canal to France and Lorraine. Before the war more than half the goods from the now occupied areas (such as coal, coke, iron, semi-finished iron wares, fertilizers and so forth) went to other parts of Germany. About two-fifths of all goods received in the now occupied areas come, normally, from the rest of Germany, such as mine and building timber, potatoes, cattle, finished machinery, electrical, leather, rubber, textiles and clothing.

Allowing for trade with Alsace-Lorraine, about 40 per cent. of the total trade of the now occupied areas was with foreign countries. Today this has dropped to 25.3 per cent. French trade with the occupied area is one-third less than in 1913. Since the war and the crippling of her overseas trade, the tendency has been for relations between occupied and unoccupied Germany to be-



A Prussian girl farm worker

come even closer than at any time before.

Thus, 80 per cent. of the rolling mill products of Germany come from the occupied area; on the other hand, 80 per cent. of the machine industry lies in unoccupied Germany. The dependency of one on the other is plain. In the same way farms in unoccupied Germany depend on the occupied areas for certain fertilizers, like coke-oven by-products. Rich as the Ruhr is, it cannot feed itself, and must depend on other regions of Germany and on imports from abroad.

Other results of the Ruhr occupation, then, and the consequent interruption of production and transport were that unoccupied Germany had to buy coal and some other raw materials abroad and that the thousands of idle Ruhr workers became a burden on friends, relatives or the Berlin Government. Exports from the Ruhr, and imports into it, declined, further depressing the whole of German industry. Statistics show that in January, 1923, 86,418 totally unemployed were receiving Government aid. In April, 1923, 125,352 part-time employed were on the relief rolls. By Dec. 31, 1923, the number of wholly unemployed in the unoccupied areas receiving Government aid had risen to 1,465,670 and the part-time idle to 1,795,161. At the end of December it was estimated that in Germany, as a whole, the number of workers totally unemployed or working only part time exceeded 5,000,000. Of union memberships, 28.2 per cent. were idle. By Feb. 1, 1924, the number of wholly unemployed had decreased to 1,429,000 and the part-time idle to 401,000. Since then, it is reported, these numbers have further declined.

In January, for the use of the Dawes commission, the German Government issued a study of the country's economic condition, in which appears a table of "Crops before and after the war," which will be found on another page of this article. This shows that in 1923, as compared with 1913, crop tonnage had decreased as follows: Wheat, 28.4 per cent.; spelt, 63.6 per cent.; rye, 34.1 per cent.; Spring barley, 30 per cent.; pota-

toes, 26 per cent., and sugar beets, 37.8 per cent. This same table shows that meat-bearing animals in Germany, exclusive of horses, numbered 67,043,165 in 1913. Since the war, goats have increased by 30.9 per cent. and sheep by 11.6 per cent., due, it is said, to more land having been given over to pasture through lack of means and labor to farm it. The total number of meat-bearing animals, however, was only 53,734,088 in 1923, there being a decrease of 34.9 per cent. in pigs, 10 per cent. in cows and 11.7 per cent. in cattle generally.

A comparison of animals slaughtered during the months January to September, inclusive, in 1913 and 1923, shows an increase of 12 per cent. in the number of horses killed for food, but a decrease of about 44 per cent. in cattle, pigs, goats and sheep killed for meat. There is much evidence, however, to substantiate the assertion that farmers continually kill meat for their own and local use without making an official report, which indicates that the statistics are unreliable. It is a fact that meat, eggs and vegetables are far more easily obtained in the rural districts than in the cities. These same statistics also show that, as compared with 1913, the yield of meat, in pounds, during 1923, horse meat excepted, was 54 per cent. less. Excluding home slaughtering, but including meat imported, the per capita meat consumption in 1923 was 38.1 per cent. less than in 1913.

This decline is due not only to the 14 per cent. in loss of farm area but also to soil exhaustion from lack of fertilizer and diminished productive efforts of the peasants. Their disinclination to produce beyond their own needs arose from distrust of the currency and the Government's policy of requisitioning supplies, which policy has now been abandoned. On the other hand, viewing the past four years as a whole, a tendency is seen toward more cultivation, especially in grain and potatoes, due to the breakup of large estates into small holdings under the Land Settlement act. The crop for 1923, though less than pre-war, is better than any year since the war.

Germany is the world's greatest pro-

ducer of potatoes. The final estimate of the 1923 crop is 1,156,000,000 bushels, as compared with 1,494,000,000 in 1922. Potatoes have always played a large part in the diet of the German people, in the manufacture of alcohol, and in the feeding of live stock. The potato crop, therefore, has a direct bearing on the consumption of wheat, rye and corn.

Germany, even in pre-war days, depended upon imports for a large portion of her supply of fats and oils, and there has been no improvement in this situation since the war. In 1913, 58 per cent. of the fats and oils consumed were produced at home from domestic animals, home-grown seeds and certain imported seeds. In 1923, home production, according to official reports, constituted only 49 per cent. of the total supply, total consumption being only



Old-fashioned clothes worn by the women who work truck and fruit farms behind the Elbe dikes near Hamburg

70 per cent. of that for 1913. The reduction of the population from 63,000,000 to 60,000,000 reduces the need for fats. Nevertheless, the per capita supply in 1922 was only 80 per cent. of the pre-war supply. One significant change since the war is the tendency to replace animal fats with other and cheaper fats. The per capita use of pork fats

CROPS BEFORE AND AFTER THE WAR

Prepared by the Department of Commerce
Crops in Tons

Description of Crops	Area Before the War a1913	Present Area a1913	Without Saar a1922	District a1923	Decrease as Compared With a1913 1923	
					Total	Per cent.
Wheat	4,655,956	4,043,084	1,957,710	2,896,814	1,146,270	-28.4
Spelt	438,469	437,787	113,405	159,270	278,517	-63.6
Rye	12,222,394	10,131,807	5,233,945	6,681,622	3,450,185	-34.1
Total of bread corn	17,316,819	14,612,678	7,305,060	9,737,706	4,874,972	-33.4
Spring barley..	3,673,254	3,040,218	1,607,624	2,126,846	913,372	-30.0
Oats	9,713,965	8,618,618	4,015,501	6,106,776	2,511,842	-29.1
Potatoes	54,121,146	44,018,758	40,665,360	32,580,553	11,438,205	-26.0
Sugar beets..	16,918,782	13,988,805	10,791,639	8,695,722	5,293,083	-37.8
Fodder beets..	24,754,713	21,964,014
Hay	42,029,032	36,868,274	27,754,042	34,517,991	2,350,283	-6.4

a In comparing figures for 1913 it must be remembered that the 1913 harvest was exceptionally favorable and that methods of compiling used before the war differ somewhat from those used subsequently.

b Figures for 1914, none having been determined for 1913.

has decreased 42 per cent., whereas the use of all fats and oils has decreased 20 per cent. Fifty new margarine factories have been set up, mostly in the north of Germany. It is stated by the *Margarine Zeitung* of Berlin that the capacity of the factories now in existence is sufficient to supply not only all Germany, but the border States as well. This capacity, however, depends upon their ability to finance the import of raw materials.

Though reports show under-nourishment and suffering among the urban population, country folk are probably as well, if not better, supplied with food than in pre-war days. According to recent statistics, 9,883,257 Germans are engaged wholly in farm pursuits; 29,900,000 are classed as rural population, and 30,900,000 as urban population. Thus a contradictory situation appears, in which some 25,000,000 to 30,000,000 people are receiving adequate supplies of food while from 30,000,000 to 35,000,000 are suffering actual privation.

Conditions among children are said to be particularly distressing. The *Deutsche Ueberseezeitung* states that in industrial districts 30 per cent. or more of the children are undernourished. Especially pessimistic consular reports come from Saxony. In Dresden before the war, school doctors found 30 per cent. of the children feeble or ailing; the proportion is now from 70 to 75 per cent. In Frankfurt-on-Main, examination of pupils in schools, including high schools, showed that only 19 per cent. could be classed as of normal physical development.

A study of the health statistics for the last three years seems to indicate that disease is no longer on the increase. But statistics show a great birth rate decrease. The German Statistical Year Book shows 1,894,593 births and 1,004,950 deaths for 1913, or an increase in population of 889,643. During 1922, the last year for which the statistics are available, there were 1,380,885 births and 867,193 deaths recorded, or a population increase of 413,692. Even after

allowing for the 17 per cent. of population lost when peace terms cut Germany's territorial area, this is still a decrease of over 40 per cent. This, however, would appear due more to malnutrition and other factors than to any decrease in marriages.

GENERAL BUSINESS CONDITIONS

One of the outstanding phenomena of German economic history since the armistice has been the extent to which farmers, by reason of depreciated currency and high crop prices, have been able to pay off mortgages. A mortgage of 10,000 marks, for example, although quite a burden to the small landholder when marks were at par, was easily paid off at one time with the proceeds of the sale of one or two cows or a few loads of grain when the mark slumped and prices rose. Later on, the proceeds of the sale of a few gallons of milk or a few bushels of grain were more than sufficient to discharge such an obligation.

In an article which appeared in the *Sozialistische Monatshefte* (No. 11, 1923), Fritz Baade describes the steady diminution of mortgages on agricultural property since the war. He estimates "in terms of rye" the various stages through which the agricultural debt has passed. Before the war it amounted to at least 15,000,000,000 gold marks. Interest was only 4 per cent. or thereabout, which represents an annual charge of 650,000,000 gold marks, corresponding to 4,000,000 tons of rye. In August, 1921, when Government control ceased, the total interest on mortgages may be estimated at 200,000 tons of rye, calculated on the price of rye on the open market. At that time, therefore, the total interest paid on mortgages was only one-twentieth of the pre-war interest figure. Since then the currency has depreciated so rapidly that in February, 1923, "the mortgages which burdened agriculture may be considered as practically wiped out." From now on, it would seem, farmers have all the benefit of their net profits, more than half of which formerly went to the holders of mortgages.

In spite of lowered labor efficiency, business concerns have grown in number. As against the 32,276 joint stock and limited liability companies existing in 1913, at the beginning of 1923 there were 87,776. But capital for many of these, it is said, was obtainable only because of the enormous issues of depreciating money in 1922 and 1923. Even among the older and larger concerns, dividends that seemed large in paper marks amounted to only 1 or 2 per cent., or less, when converted into gold at current exchange rates.

The slump in Germany's overseas trade and her diminished factory production since the armistice are due partly to her loss of shipping tonnage. In the middle of 1914 Germany owned 2,090 sea-going merchant ships of 5,134,720 registered gross tons. Deducting the ships she lost because of the war and the peace settlements, and adding thereto what she has built since, she had in August, 1923, 1,745 vessels of 2,509,768 registered gross tons, or about 51.1 per cent. less tonnage than before the war. As many of her vessels, however, are smaller than those in use in 1914, this gives her more ships in proportion to total tonnage—and, therefore, a more

elastic trading fleet. Also, because her operating costs are lower, she can keep a greater percentage in service than can England or America, as she did in the dull shipping days of 1922 and 1923.

EDUCATIONAL CONDITIONS

Education is general. School attendance is compulsory between the ages of 6 and 14. In 1911, says the Statistical Year Book, 10,309,949 children attended school. In 1923 this number was reduced to 8,898,320, exclusive of the approximate 17 per cent. living in the lost areas. University attendance, on the other hand, shows a marked increase; partly to be explained by the fact that the universities draw attendance from occupied and ceded territories, as well as from unoccupied Germany. In the twenty-three German universities, for example, there were enrolled, in 1913, some 60,061 regular and 7,648 special students. In 1923 this number had increased to 85,859 regular and 17,573 special students. Of these there were, in 1913, 4,768 female students, as against 11,632 female students in 1923.

In Germany's ten fully equipped technical high schools there were 13,590 male and female students enrolled in 1913, and 28,975 in 1923. Of these about 10 per cent. were special students. Some observers explain this unusual increase by the fact that, in universities and high schools, night classes are now held, which was not a pre-war university practice, thus enabling many to attend who were employed in the daytime, and by the increased cooperation among the numerous student corps whereby those in better circumstances aid the more needy. There has been, however, a decrease in the num-



On a German truck farm devoted entirely to the growing of asparagus

ber of professors, instructors and teachers on duty; also a marked decrease in the output of text books and scientific publications, owing to the high cost of paper and printing.

According to the Statesman's Year Book, theological courses are most popular of all; next in importance come law, economics, medicine and dentistry, philosophy, mathematics, natural sciences, and so forth.

THE STATUS OF REPARATIONS

After the Ruhr occupation German reparation payments ceased, in accordance with the policy of passive resist-

ance. Since then arrears and interest have accumulated. According to Part II. of the "Monthly Accounting Annex" prepared by the Reparation Commission, a summary of Germany's accounts, in gold marks, as of Dec. 21, 1923, showed the figures in the table below.

An interesting fact, not hitherto published, is that, owing to accumulation of interest charges, Germany, in spite of payments in cash and kind, owes more today than when the reparation total was fixed. Germany's original reparation obligation was fixed at 132,000,000,000 gold marks. Added to this was 5,624,000,000 gold marks, a "spe-

SUMMARY OF GERMANY'S ACCOUNTS

To Dec. 31, 1923.

	Debtor	Creditor	Balance Owing
1. Pre-reparation account— Nov. 11, 1918, to April 30, 1921 ¹ .	3,535,868,427.88	2,639,063,577.92	896,804,849.96
2. Pre-reparation account— May 1, 1921, to Dec. 31, 1923. (U. S. costs to end of occupation) ¹	541,763,210.29	325,682,434.85	216,080,775.44
Total pre-reparation account, gold marks.....	4,077,631,638.17	2,964,746,012.77	1,112,885,625.40
3. Reparation account— a Capital debt.....	137,624,000,000.00	2,799,905,488.31	134,824,094,511.69
b Interest on capital debt, viz., on that portion represented by "A" and "B" bonds to Dec. 31, 1923.	5,702,466,666.66	2,639,354,204.57	3,063,112,462.09
Total capital debt and interest, gold marks.....	143,326,466,666.66	5,439,259,692.88	137,887,206,973.78
Balance of capital debt and interest owing at Dec. 31, 1923: Proportion matured under Schedule of Payments and in arrear (See Form C).....	4,830,613,467.69		
Proportion unmatured and payable in future instalments under Schedule of Payments	133,056,593,506.09		
	137,887,206,973.78		
Grand total pre-reparation and reparation accounts, gold marks.	147,404,098,304.83	8,404,005,705.65	139,000,092,599.18

¹Army costs are net, i. e., paper marks supplied to the value of gold marks 649,503,877.36, have been deducted and only net debits and net credits shown.

cial obligation" for allied loans to Belgium, making a grand total of 137,624,000,000 gold marks payable by Germany. Germany has paid over 8,000,000,000 gold marks, but she now owes 139,000,000,000 gold marks.

In the second half of 1923, the paper mark had declined to a point so low that in trade with foreign lands it had no value at all. All stabilization measures failed so long as the Government used only the printing press to pay its debts. In this crisis, the "Decree on the Erection of the German Rentenbank" was issued on Oct. 15, 1923 (Statute Paper I., page 963), by which the printing of banknotes for the Government was stopped on the date of issue of the new rentenmark and a plan adopted by which—with the help of German national capital as a whole—an incorporated bank was formed to redeem the debt the Government owed the Reichsbank, to issue stable currency, and to relieve the Reichsbank of the task of financing the Government. Issue of Rentenbank notes at 4.2 to the dollar was begun Nov. 15, 1923; since Nov. 20, the dollar rate has been held at 4.2 per trillion old paper marks.

This new payment-medium is guaranteed by mortgages on land, on Ger-

man agriculture, industry and commerce. It is provisional, however, the credits given to the Government by the Rentenbank being meant to provide only a breathing period in which to balance the national budget. To prepare, eventually, for a definite stable currency, the Government hopes to form a gold reserve bank in which foreign capital will participate. In the meantime, even the adoption of this temporary currency system has greatly improved conditions. Official reports show a slight decline of unemployment, and a revival of industry. The chief immediate benefit from the rentenmark, however, according to Department of Commerce reports, was to expedite the movement of badly needed foodstuffs from farms to cities. Its effect has also been to stabilize wages at a gold figure somewhat below pre-war levels, and prices for food and clothing at figures slightly below world levels. To aid farmers who found their crops selling below world price levels in February, 1924, an extension of credit for fertilizers was given, payment to be made after harvest. Though mark stabilization has averted famine, hunger is reported to be still prevalent in many cities and industrial regions.



Girl students in a German agricultural school

THE GHOST OF AUSTRIA'S DEAD GRANDEUR

by Albert von Trentini

IN Austria today, when people speak of the "Kaiser," they refer only to Kaiser Franz Josef. In comparison with him, the late Emperor Charles was no Kaiser at all. Maria Theresa was a great Austrian Empress; Josef II. a notable one; Franz Josef was the last. He alone, the very incarnation of the Kaiser concept, held together the rotting corpse of the Austrian Empire, which sheltered not only Germans but Huzuls and which comprehended the Tyrolean mountains, the Istrian harbors and the villages of Galicia. Today, only eight short years after Franz Josef's death, nothing remains of Austria but a small strip of land in Central Europe, no longer ruled by a Kaiser but by a President, a man of plebeian origin and a plain citizen; a tiny nation which is being reconstructed with the money of other nations. No power, no splendor, no prestige, no great history, no unbroken tradition—only a small, humble republic!

The bier of Franz Josef rests in the Capuchin Church in Vienna. Thousands pass it by daily. In the old days, when Franz Josef's carriage drove by them on its way from Schönbrunn to the town, the people quickly and almost reverently raised their hats. Now, only eight years later, they go by the church where Franz Josef's remains lie, without one consecrating memory. If Franz Josef could rise from his bier and go forth from the church into the square, he would raise his hands in amazement, and cry: "How, in God's name, is this possible?" And his amazement would change to anger if he should ask one of the passersby: "And you live still, in spite of all?" and the man should answer: "Yes, and enjoy living, your Majesty!"

What would seem to a resuscitated Franz Josef, however, to be a matter of

amazement is easily susceptible of explanation. We must seek this explanation, however, not in historical or psychological reflections, per se, but in some contact between the past and the present, sharply contrasting the Austrians of today with the vanished time of Franz Josef and his vast empire. Such a contact, edifying and illuminating in the highest degree, is offered by a visit to the Hofburg in Vienna. In these apartments Franz Josef lived and reigned; in these apartments Empress Elizabeth lived and did not reign, and here took place the great audiences, the royal councils, the conferences of Ministers, the counsels of war, the receptions of foreign sovereigns, the family dinners and the court balls. In very truth, in these apartments the complete and concentrated essence of the vanished concept of "Austria" hovers like the scent of roses over the broken vase of the French poem.

We stand there, and gaze around us, and what do we see? Suites of halls and chambers, monotonously alike. The elements of this uniformity are always the same; gleaming parquet floors, walls hung with solemn red damask or with Gobelin tapestries, stucco ceilings, white and gold, great paintings of battle scenes or ancestral portraits, mirrors, candelabra, articles of furniture of palisander or ebony, the conventional decoration of the salon in only apparently differentiated colors and forms, vases, clocks and exotic bric-à-brac. Had we imagined it would be otherwise? We cannot say; our amazement unsettles our ideas. We are more than amazed, however; we are filled with awe. This feeling is kept in the background, so long as we go through the Alexander apartments, in which the Czar of all the Russias once lived; we are indifferent as to how the Czar of all the Russias



Ewing Galloway

A corner of the Volksgarten (People's Park), Vienna, showing the monument of the Empress Elizabeth

lived in Vienna. We also remain unmoved as we go through the guest apartments which, though painfully stereotyped, are bright and not depressing. We also have no objection to the ceremonial apartments, for we know that the reception of Ambassadors are hollow and court balls tiresome. We are even tempted to smile benevolently as we enter the bedchambers of Maria Theresa (1717-1780). In this enormous bed, with its canopy of purple satin and

gold embroidery, the former Empress slept with her beloved husband, Franz (Francis I. of Austria), and bore him children.

But now we come to the rooms of Empress Elizabeth and pass through these, down a couple of steps and through a bare ante-chamber, into the apartments of Franz Josef. No man of human flesh and blood can see these rooms without being overcome by a sadness greater than any he has ever before experienced. Not so much from pity for Elizabeth and Franz Josef—it may have been that they found these glacial rooms quite tolerable—but from a lightning swift realization that a whole long epoch, a whole great people, a

general tradition of all Europe, in yielding to the belief that human beings—and even a Kaiser and an Empress are human beings!—must be shut up in such gilded prisons, removed from every human touch, violated the dignity of human life, the very nature of life itself, which they grievously misunderstood.

It is mere understatement to say that Elizabeth's rooms leave an impression of awe and even terror. Any sane and

normal woman who beholds the barbaric uniformity of these two reception rooms, of this boudoir, of this dressing room and of this bedroom, in which the stupid vulgarity of primitive adornment passed for the most enlightened wisdom among those who planned it and who believed that they had satisfied every human requirement of a home by a plethora of marble, gold and crimson hangings, is bound to turn away with a shudder and quickly take her departure. In the bedchamber, placed at an inharmonious angle in the open room, stands an ugly brown iron bed. That bed can have been only the death of dreams, or can have awakened only dreams of a terrifying nature. On the right towers an imitation Gothic altar of cold marble. What heart could be moved to pour itself out before this monstrous edifice, backed and surmounted by two square white porcelain stoves? What eye could look without horror at the barbaric spot of beauty painted by a purple velvet cushion laid at the base of this pyramid of ugliness? If the Empress wished to find relief from this host of hideous and depressing objects, there yawned before her only the dreary waste of the large or the small salon; if at night she were not smothered in her bedroom, she must kill the time of each day in these vast, deserted rooms, which drowned a million miles removed from every pulse of life; it was not neces-

sary to be a member of the Wittelsbach royal house to dream of flight to Heine's swans in the warm air of Egypt or of a visit to the Achilleum in Greece.

The Kaiser's rooms were only slightly warmer. He, however, was stronger than Elizabeth. For sixty years he had lived in these eleven rooms, which his eye could take in as a continuous perspective, or rather as two perspectives of purple, white and gold. Franz Josef has often been described as a Philistine. But the mere fact that for sixty years he saw no other walls but these, adorned with purple and tapestries embroidered with mythological figures, no other ceiling but this one of stucco with golden embellishments, no other picture but a historical scene or a family portrait, no other furniture but a Louis XVI. sofa or writing table, a bookstand or a prayer stool of pallsander wood, with bronze bosses, and did not either lose his mind or become a criminal, contradicts this accusation. On the contrary, it required a heroic nature of the highest quality, a moral discipline of the highest grade, a belief



Ewing Galloway

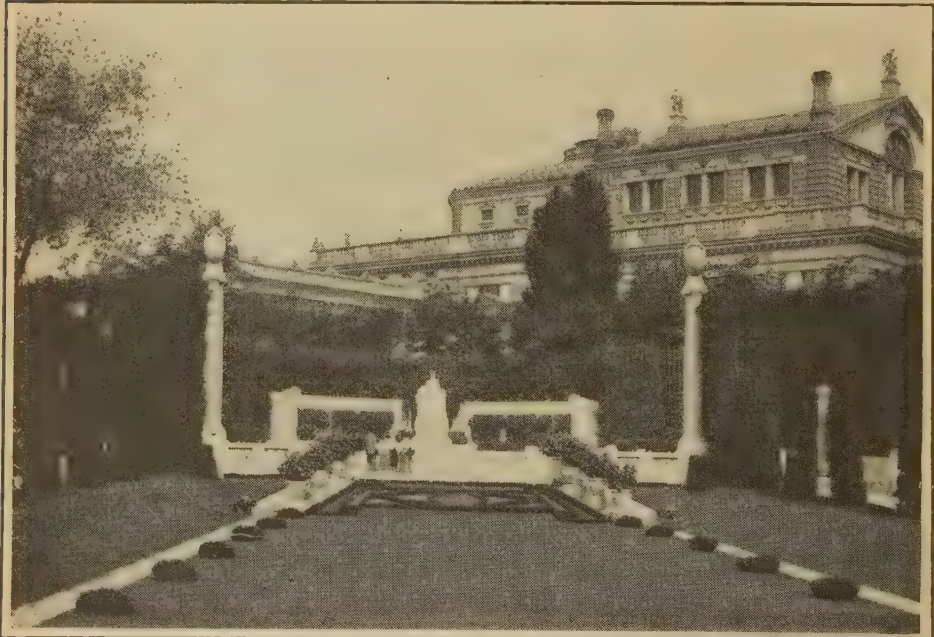
Private garden of the former Austrian Emperors at Schoenbrunn, now one of the public parks of Vienna

in the divine mission of royalty of unprecedented strength, to wander through this vast dehumanizing clinic and to forego every personal and vital relation of human life—and yet live on! Just imagine; for sixty years, night after night, to sleep with one's face turned to a damask purple wall, which, with diabolical irony, displays only a small copy of a picture by Raphael, and beyond this only a waste of purple. If, maddened by desire to escape from the maleficent influence of this purple, he fled to another apartment, he found himself again standing in the midst of purple, purple again and again, in every room, so that, the unhappy martyr of a godless time, he found himself compelled to sleep, eat, smoke, talk, walk, sit, stand, even think and feel, surrounded by purple walls!

This is what a perceptive observer beholds in the apartments of Franz Josef and Empress Elizabeth, and beholding, understands why the people who eight years ago reverently removed their hats when the Kaiser drove by now pass the vault where his remains repose without a consecrating thought;

pass by the vault in which this royal victor over a gigantic misunderstanding of human nature sleeps by the side of the wife who perished at the hand of the assassin and found refuge from this same misunderstanding in death. The reason why the people go thoughtlessly by the church is because Franz Josef and his empire have no further human contact and could express no human feeling. The Austrians of today realize this. They recognize that a law of nature has merely been fulfilled; the inexorable law that in every national or State organization in every form which the life of human communities assumes the human element must predominate, and that where this predominance of the human element is suppressed by such an organization the unalterable nature of human life automatically rejects this unnatural usurpation, and re-establishes the law.

Because the Austrians of today recognize this they have been able to forget and to forget without indulging in the stupidity of whining over the past or endlessly cursing their victors. For the same reason Austria lives on and even



Ewing Galloway

The Elizabeth monument, Volksgarten (People's Park), Vienna



Ewing Galloway

A general view of Vienna, showing the Parliament Building to the left and the City Hall, with its high tower, in the background

finds a joy in living. Her fate has certainly been the most grievous that any vanquished nation has ever had to endure. And yet the little Austria of today is essentially the nation most to be envied among all the nations of Europe, for Austria can most easily, in every national or political reconstruction of her State, bring the human element to its full development. This is so because she has been deprived of every possibility of choosing the wrong road, viz., to seek for riches, power, predominance, the imperious and imperial urge of a so-called "great" power to acquire world prestige. All these ambitions are removed from Austria's path today. This means that the vital power of the nation will no longer be wasted in the pursuit of an illusory glory profiting the people not at all; will no longer be spent in the gaudy embellishments of an egocentric internal and foreign policy, in fleets, armies, parades, diplomatic steps, dynastic intrigues and official statements; that this vital power may now be spent as nature intended, for the fulfillment of beauty

and the dignity of human life in every individual. All the bolts and bars that shut off the old Austria, through the ambitions engendered by its position as a world power and the selfish claims of its national conflicts, from every other State have been removed, and Austria can now devote herself to the development of humanity, in union with every other people of the world.

There are, it is true, among the Austrians of today those who seek the prosperity of the future in the revival of Austria's dead grandeur. But these are in the minority, and whether they know it or not they are being vanquished by the minds that have been penetrated by the law of nature visible in the working out of Austria's destiny, and who, with intense enthusiasm, are building for the future. These Austrians are not only building a nation that will know no foreign enemy, no war and no power of a privileged caste; they are building the strong foundation of a new order among the peoples of Europe. And this is for Austria a source of joy, and for the world it is a portent.

The RED ARMY AFTER SIX YEARS by Leon Trotsky

War Minister of Soviet Russia

From *Izvestiya*, No. 45 (2080).

THE six years of existence of the Red Army fall into two periods of almost equal duration. The first three years of the army are marked by a period of chaotic growth, during which new regiments and divisions had to be created out of nothing. This was a period of incessant fighting. Successive small wars cumulated in one great civil war, in which the revolution was fighting for its existence. The army was built by the progressive workman, who had mobilized the peasant and educated him. The infantry and the artillery were thus created. Much more difficult was the creation of the revolutionary cavalry, which was the most remarkable achievement of the first period.

The war with Poland, which closed the first period, showed plainly the strong, as well as the weak points of the Red Army—the revolutionary dash, the unprecedented enthusiasm, the enormous endurance on the one side, and, on the other, insufficient preparedness, defects of organization and lack of training. The army would advance without delay, but it also would fall back without a stop. From the first three-year period we inherited war material which had been used and which was consequently not in first-class condition, but we also gained considerable fighting experience and we had available thousands of new officers and commissars, who brought to the army a new spirit of courage, initiative and moral and political authority. The result of the Polish war cut deep into the consciousness of the army, especially among the younger officers and commissars, already referred to, and a keen desire for training soon made itself manifest.

The second three-year period began

with the winding up of the army and its reorganization. The problem consisted in adapting the army to the material resources of the country and also to the international situation. But the international situation was changing and it was difficult to make an estimate of the national resources. Hence the many reductions and reforms, each one of which constituted a long and difficult chapter in the army's history. After a series of successive reconstructions the army was reduced to about one-fifth of its former proportions. Simultaneously the military academies trained and brought up the youngsters, while the war colleges helped the officers who had distinguished themselves in the civil war to systematize the experience which they had acquired. In its composition, its organization, its problems and difficulties, its whole spirit, the Red Army, like its sister organization, the Red Navy, invariably reflected the revolution and its inner forces and methods of action. The army was and remains an armed alliance of workmen and peasants under the guidance of Communists who have had fighting experience.

The first three years are a period of so-called military communism. We fought for the existence of the republic, taking advantage of all material resources of city and village, using all the former stocks of the country, subjecting the toiling masses to the greatest privations. The second three years coincide with the period of the new economic policy. The material resources of the country are now gradually being restored; both the village and the city are reviving economically. In the city, however, the "borjui" (bourgeois) is now

appearing, and in the village the "kulak" (rich peasant) is equally in evidence. It is essential now, more than ever, that the army should remain an armed alliance of the workman and peasant, where there is no room either for the middle class property holder or the rich peasant. The State tolerates them economically, but does not give them political rights, much less weapons. This is the most important political measure carried by us over to the third three-year period.

The international situation prevailing at the time of our celebration of the Red Army's sixth anniversary has changed at present to our advantage. One bourgeois country after another has recognized or is preparing to recognize us *de jure*, that is, "on a legitimate basis." The Red Army takes special cognizance of this: under the guidance of the Communist Party the army learned long ago that the revolution is the most legitimate of all the grounds for a workmen's State. But the very fact that it took the bourgeois countries, and only some of them at that, more than six years to "recognize" our existence, proves in the clearest way the hostility which has surrounded, and still surrounds, the first workmen's and peasants' State, at the present time the only such State existing in the whole world. The Red Army and the Red Navy are entering, therefore, on the third three-year period, with the deep conviction that they are needed, as before, by the Socialistic Fatherland, as the guardians of its independence and development.

The struggle for a higher level of general and professional culture in the army and navy constitutes the fundamental problem of the third three-year period on which we are now entering, and this fundamental problem gives rise to a number of special ones, beginning with the inculcation of rules of cleanliness, the elimination of rough manners and profane language, and ending with educational work emphasizing the spirit of international solidarity.

Just as the most difficult problem of the first three years consisted in creating the revolutionary cavalry, so the



Leon Trotsky, the Russian War Minister, with a Red Army commander, marching across the Red Square in Moscow

central place in the building of the military arm is occupied now by the questions of aviation and chemical warfare. The second three-year period formulated these needs; the third period must provide for them. The creating of cavalry required that the workman leave the factory and mount a horse. The development of aviation and military chemistry requires that the workman stay at the plant and promote not only domestic but military industry. On this depends at present the fate of all arms of service and branches of the army and navy and aviation work. The weapon of defense is forged by the nation's industry.

Now again, as in all the previous years, the interests and requirements of the Red Army are inseparably tied to the needs and problems of the nation. During the last years the country has taken its final shape as a union of national republics. The Red Army, consisting of workmen belonging to various nationalities, is consecrated to the defense of the national frontiers, within which, for the first time in history, the neighboring nations have been voluntarily included without enmity or offense and have joined in a union of nationalities, inviolable, we hope, forever. As far back as in the first months

of the Soviet régime, Nikolai Lenin, teacher and inspirer of the revolution and of the Red Army, cited, as an example, the words of a poor old Finnish woman, who said that after the revolution she ceased to be afraid of a man carrying a gun. This example will remain in the future as Lenin's order bequeathed to the army and navy: the toiling, oppressed and enslaved people, no matter to what nationality they belong, whether of the West or the East, should under no conditions be afraid of the Red Army. The weapon of that army is pointed only at Russia's violators and oppressors.

GREAT BRITAIN'S WEAKNESS IN MODERN CRUISERS

by the Right Hon. L. S. Amery

THE existence of the British Empire as a whole, and of England in particular, depends upon keeping open the highways of the sea. If those highways were closed by the action of enemy forces, the different parts of the empire could not assist each other in the hour of danger, and would be separately open to worries and conquest. Apart from that, their whole economic life would be immediately paralyzed, and England, at any rate, would have to face wholesale unemployment and actual starvation. To appreciate the extent to which we English rely upon seaborne supplies, it is only necessary to point out that we import, every week, about 6,000,000 tons of food to the approximate value of £9,500,000 and about 20,000,000 tons of raw material to the value of over £8,000,000. To carry these supplies there are at any given moment some 1,400 British merchant ships of 3,000 tons and above,

scattered over 80,000 miles of trade routes, and another 1,400 loading or unloading in the different harbors of the world.

Two things are essential for the defense of this immense line of communications. The first is a battle fleet capable of dealing with any hostile fleet. That fleet will require its complement of fleet cruisers sufficient to match those of any possible adversary. The second is a sufficiency of fast seagoing cruisers to afford direct protection to the ocean routes. What is involved in such protection can be inferred from the fact that in the late war fourteen and eighteen cruisers, respectively, had to be collected to hunt down two German raiders, the Emden and the Karls-

Mr. Amery, who was First Lord of the Admiralty in the last Conservative Government under Mr. Baldwin, is one of the leaders in the councils of his party, which is now the official Opposition in the House of Commons; his views, expressed in this article, may be taken as the authoritative expression of the party's views on naval matters.

ruhe. In other words, by the necessities of the case, even when the general command of the sea is assured, the number of cruisers required to deal with even a few raiders is very large. In this respect our position differs absolutely from that of any other power. We agreed at the Washington conference to what is in effect an equality of battle fleet strength with the United States. But obviously it would be impossible to arrive at any similar figure with regard to the strength of the cruisers required for commerce protection. For us, at any rate, a sufficiency of cruisers is a matter of life and death.

At the present moment our cruiser strength is absolutely inadequate for the task of commerce protection and is dwindling rapidly. In April, 1917, we had 115 cruisers on the effective list. Since then we have built 53 and scrapped 120, so that today we have only 48 cruisers on the effective list (i. e., under fifteen years old, counting one year of war service as two of peace), and 4 building. Of this 48, only 20 are suitable for commerce protection. The reason for this is that most of our present cruisers were built simply and solely for work with the fleet in the North Sea. Neither in size, seagoing capacity nor range are they suitable for work on the ocean routes, or comparable to the new cruisers being laid down by the other great naval powers which are all working up toward the maximum cruiser standard laid down by the Washington conference, viz., 10,000 tons with 8-inch guns and a speed of 32 knots or over. Meanwhile our cruiser force, such as it is, is rapidly becoming obsolete. Simply to replace existing cruisers which will cease to be of value for fighting purposes, we ought to lay down 52 cruisers in the next ten years. From the figure given by Mr. Ammon in the House of Commons on March 5, it is clear that between the present date and the end of the year 1930-31, at least 17 of our cruisers will have become obsolete. As the building and commissioning of these vessels takes something like four



THE RIGHT HON. L. S. AMERY

Former First Lord of the Admiralty in the British Government under Stanley Baldwin

years, that means that we ought to lay down 17 new cruisers in the next three years.

The full extent of our decline in this respect is shown by the fact that on April 1, 1929, we shall have only 32 cruisers on the effective list, as against 29 on the part of Japan, and of these latter 11 will have been commissioned since the present date. In other words, the 29 Japanese vessels will be a much more modern cruiser force than our 32. There is no doubt that a comprehensive replacement is long overdue. Only considerations of finance prevented the Admiralty from beginning it when the County Class ships [a type of ships named after English counties] were scrapped soon after the war. In spite of these considerations the necessity for laying down a minimum of five in the coming financial year had to be faced. This was a bare minimum and undoubtedly involved a wholly undue accumu-

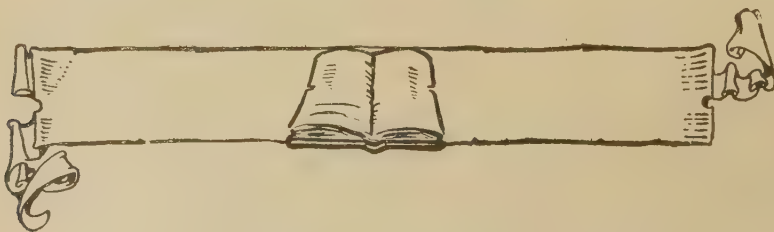
lation of replacement work in subsequent years, not only in respect of the larger number of cruisers that would have had to be laid down, but also because from 1927-28 onward we shall have to face a large program of destroyer replacement, while after 1931, under provisions of the Washington Treaty, we shall begin to be faced with heavy expenditure in the replacement of capital ships.

It was clear, therefore, that from the point of view of a more even distribution of work and expenditure, and in order to secure better prices, it was highly desirable to lay down a large number of cruisers in the next two or three years, and the Admiralty was able to persuade the Baldwin Government that in view of the extreme gravity of the unemployment situation in the great dockyard centres, such a policy would be justified not only on naval grounds, but also from the actual point of view of finance and national welfare, by saving both the cost and the demoralization of continued unemployment. The late Government accordingly sanctioned the program which I laid before the House of Commons on Jan. 21 of this year. This program provided for the immediate laying down of eight light cruisers, three submarines and a submarine depot ship, two destroyers and a destroyer depot ship, two gunboats for duty on the Yangtse, a special ship for service in the Persian Gulf, an aircraft carrier and a minelayer. All these were urgently needed for replacement. The whole program, which would have given direct employment to 32,000 men, would have involved a special addition of £5,000,000 to the navy estimates for the coming year. The present Government has reduced that provision to the

laying down of five cruisers and two destroyers, on which only £1,800,000 is to be spent in the coming year. This is less than half the program I put forward, and naturally, from the point of view of employment, means less than half the work. As a matter of fact, inasmuch as three of the cruisers are to be laid down at the Royal Dockyards, this means that there will be only two cruisers and two destroyers to go round something like a dozen great shipbuilding centres, all of which it had been hoped would be helped by the original program. From the point of view of naval necessities the program is also essentially inadequate and involves a heavy piling up of cost on future naval estimates.

This was the very least that even a pacifist Government could do. But so little have the requirements of naval defense ever been seriously considered by their followers that the announcement of this inadequate program of mere replacement evoked a storm of protest from the Government's supporters. A large section of the Liberal Party, out for mischief, sought to take advantage of this, and it required all the authority of the Prime Minister, as well as the help of the Unionist Party in the division lobby, to defeat an amendment which was, in effect, a direct vote of censure.

The Government has announced that it is investigating the whole program of our needs in regard to cruiser replacement. What is essential is that their investigation should be determined not by the political pressure within their own party, but by the actual facts of a situation which, in view of our absolute dependence on keeping open the sea routes of the world, can only be regarded as disquieting.



SETTLEMENT OF THE MEMEL CONTROVERSY

by Matilda Spence

DESPITE the resolute abstinence of their country from official participation in the tangled affairs of Europe, citizens of the United States are coming more and more to play an important part in the liquidation of the Old World's war heritage. While the United States "observes" unofficially, its citizens are actively engaged in matters involving the lives of not only this generation of Europeans but of future generations. Messrs. Dawes and Young have been helping settle the reparations question at the invitation of the Reparation Commission; Mr. Morgenthau has been caring for the Greek refugees on behalf of the League of Nations, and Mr. Norman H. Davis, acting as Chairman of the Memel Commission of the League of Nations, has just adjusted the thorny problem of the allocation of this important port on the Niemen, over whose possession Lithuania and Poland have been at daggers' points for many months. His decision has been accepted and the Lithuanian possession of Memel confirmed.

The Memel problem now passes into history as one of the many territorial disputes that have arisen since the close of the World War; disputes such as the international quarrels over the Aland Islands, Vilna, Fiume, the Burgenland, Upper Silesia and other strips of territory scattered through Europe which have engendered the most bitter strife and in some cases have led to civil war and bloodshed. The settlement of all these controversies is a part of the general post-war European settlement. The detailed story of these adjustments has become a matter of historical record. To this record the story of the settlement of the long-standing Memel conflict must now be added.

The City of Memel is typically German in appearance—well built, picturesquely red-roofed, with a predominance of Germans among its 35,000 inhabitants. The surrounding region in question, however—a strip of land some ninety miles long and averaging less than twelve miles in width—has, according to German statistics, a Lithuanian majority in its 140,000 population. Here in the country districts, in spite of 500 years of German rule, the Lithuanian peasants still cling to ancient customs of dress, speak a language considered by etymologists to be one of the purest examples of Sanscrit in existence and have remained strong adherents to the Catholic faith, despite a Lutheran Government.

MEMEL PREDOMINANTLY LITHUANIAN

It was the recognition of these facts that led the allied powers to state, in replying to objections made by the German delegates to Article 99 of the Versailles Treaty, which detached Memel from Germany and placed the territory at the disposition of the allied and associated powers:

The region in question has always been Lithuanian; the majority of the population are Lithuanian in origin and language;

Miss Spence was for two years engaged in war work for the French Government in France, and on her return to the United States spent a year in Yugoslav relief work. As General Director of the America's Making movement she was brought into intimate contact with the leaders of some thirty-five different nationalities. She is a member of the Baltic Society, and has recently organized and directed an educational campaign for the three Baltic republics—Estonia, Latvia and Lithuania, all of which countries she visited in a recent tour of Central Europe. She has had especially close contact with Lithuania; and has made a close study of the Memel controversy, which she discussed exhaustively with both the President and Prime Minister of Lithuania. She afterward visited Memel, where she was the guest of honor at a banquet given by the Governor, and where she met the leaders of the Memel insurrection.

the fact that the town itself is in a great part German would not justify the maintenance of the region under German sovereignty, particularly in view of the fact that the Port of Memel is the sole maritime outlet for Lithuania. It has been decided that Memel and the neighboring region should be handed over to the allied and associated powers, because the status of the Lithuanian territory is not yet determined.

A French High Commissioner, with a garrison of troops, was placed by the Allies in temporary charge of the region pending its permanent disposition.

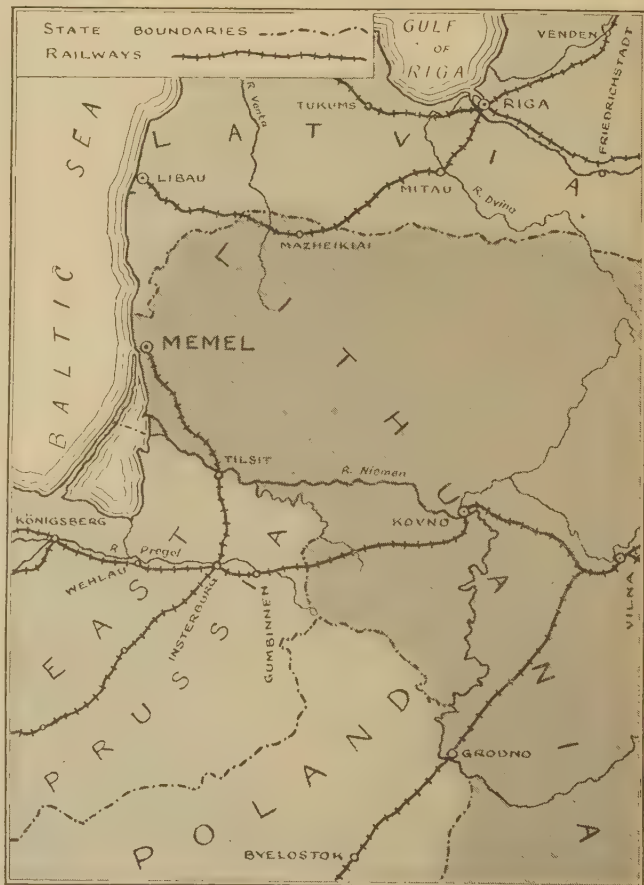
In the opinion of Lithuanians with whom I have talked, the four years of this French administration was extremely harmful to Lithuanian interests in Memel. The action of the French Commissioner during this period finally convinced the local Lithuanians that France was not in sympathy with Lithuanian claims to Memel, in spite of the allied statement quoted above. Some, indeed, believe that at the time of the Peace Conference France did not count upon a permanently independent Lithuanian State, but anticipated the ultimate absorption by Poland of the then unrecognized Lithuanian territory. The Memel territory was, therefore, intended to be placed in a sort of allied trusteeship under French administration, to be handed over to Poland when her "conquest" of Lithuania was complete.

Events having taken a different course, it was felt that France sought to strengthen Polish influence in Memel by other means. The Lithuanians had seen a large section of their country occu-

pied by Polish troops, in direct violation of signed agreements. With the continuation of the French administration in Memel, in spite of the *de jure* recognition of the republic, Lithuanians began to feel that the territory was slowly slipping from their grasp. Stronger powers than Lithuania were at work behind the scenes. Having lost Vilna, their historical capital, to the Poles, they feared they would also lose their promised port.

THE LITHUANIAN OCCUPATION

It was under these circumstances that the Lithuanians of Memel decided to take matters into their own hands, and to settle by force, in emulation of the *coup d'état* of General Zeligowski at



Map showing the position of Memel, which has been awarded to Lithuania

Vilna, what they had not been able to settle by diplomacy.

Under the leadership of MM. Budrys and Simonaitis volunteers secretly assembled on the outskirts of the City of Memel, in the old Lithuanian village of Ginduliai, and on Jan. 9, 1923, marched on Memel and demanded the surrender of the French garrison. Little resistance was met with. After some fighting in the streets, local report has it that a bomb was thrown into the French Commissioner's headquarters and that the prompt appearance of a white tablecloth from his windows announced to the Lithuanian leaders that victory was theirs.

The Allies dispatched warships to the spot and served an ultimatum on the Lithuanian Government demanding the immediate withdrawal of troops and the restoration of the old régime within a week. The Lithuanian Government, however, firmly disclaimed all responsibility for the affair, maintaining that the revolution was a spontaneous uprising of the people of Memel against an intolerable administration. A new commission was formed, with a Lithuanian, Mr. Gailius, at its head, and the insurrection quickly subsided. The allied warships departed, and on the same day the Lithuanian colors were hoisted on the City Hall. When I visited Memel in December, 1923, the red, green and yellow flag fluttered victoriously over the City Hall, and President Gailius, Governor Budrys and his colleague, Mr. Simonaitis, wielded undisputed authority.

The events that have occurred since this victory of the Lithuanian "insurgents" may be gathered from a perusal of the diplomatic exchanges between the conference of Ambassadors and officials in Memel and Kovno, the present capital of Lithuania. Forced to accept for the time being the Lithuanian occupation of Memel as an accomplished fact, the conference, on Feb. 16, 1923, presented to the Lithuanian Government a statement of principles upon the acceptance of which would depend the official transfer to Lithuania of sovereignty over Memel. To these principles the Lithu-

anian Government agreed and dispatched a delegation to Paris to assist in the drawing up of an agreement. Meanwhile, Lithuanian sovereignty over Memel remained an accomplished fact. Following the occupation frequent clashes occurred between the Lithuanians and Poles along the border. The River Niemen, which serves as an outlet for the commerce of both nations, empties into the sea at Memel, and for this valuable prize both countries seemed disposed to go a long way.

The negotiations in Paris, which began in February and ended in September, 1923, were marked by difficulties from the start and led to the deadlock which Mr. Davis was called upon to end. It became evident that between agreement on general principles and accord as to their practical application there existed a wide chasm.

To outline very roughly the chief points of disagreement in the controversy, it is necessary to refer to the before-mentioned declaration of Feb. 16, 1923. Article 3 of this statement sets forth as one of the principles that must be accepted by the Lithuanian Government before sovereignty over the territory will be officially transferred, the "organization of freedom of transit by sea, river and rail in a manner to take into consideration the interests of the Lithuanian and Polish regions for which Memel is the natural outlet, and the creation of an economic administration of the Port of Memel of a kind to guarantee its proper development, and giving—notably by the establishment of a free zone and by the presence of qualified representatives—full guarantee that the aforementioned Lithuanian and Polish regions shall find in the port facilities for their commerce."

The conference of Ambassadors proposed as a means of carrying out a part of the above formula the creation of a "Committee of Surveillance" for the port, this committee to be composed of three members, one chosen by the Memel directory, one a Lithuanian and the third a Pole. They further stipulated that in case any member of this committee of three disagreed with a

majority decision which, in his opinion, was a decision violating the general conditions laid down in the declaration of Feb. 16, he should have the right of appeal to any one of the signatory powers, with a view to having the disagreement referred to the Council of the League.

This proposal was unacceptable to the Lithuanian Government, presumably because it saw in it a means of giving Polish interests too much power. It was argued that if, for example, the Polish member of the committee had the right to appeal to one of the signatory powers—to France, for instance—each time he disagreed with his Lithuanian and Memel colleagues, the result might be a constant cause of friction and therefore defeat the purpose of the committee, especially in view of the present state of Lithuanian-Polish relations.

The Lithuanian Government's proposal was the creation of an "Advisory Economic Committee" of five members, one from the Memel Chamber of Commerce, one from the City of Memel, one



EDWARD SIMONAITIS

One of the leaders of the Lithuanian insurgents who took possession of Memel



JONAS BUDRYS

One of the leaders of the Lithuanians who took possession of Memel and is now Governor of the city

representing the workers of the Port of Memel, one from the economic organizations in other parts of Lithuania, and the fifth to represent Polish economic interests. No right of appeal to the signatory powers was provided. Such a committee of five, of which it might be argued four would be pro-Lithuanian in their views, was equally unacceptable to the conference, in view of the statement of Feb. 16, which guaranteed proper protection of Polish interests in the port. The negotiations broke down in September, 1923, neither side being willing to make further concessions.

When the Supreme Council found its authority flouted it turned, in September of last year, to the Council of the League of Nations, which in turn called upon Mr. Davis to head the impartial commission of three which was created to find a solution. Although overshadowed by the momentous work of the Americans in the matter of reparations, Mr. Davis's task was a most difficult one, involving as it did the fierce jealousies and mutual suspicions of Poland and Lithuania. His task, as has been shown, was one that had defeated



The Stock Exchange, Memel

the best efforts of European statesmen. The commission began its work on Feb. 5. On March 14 Mr. Davis reported that the Memel territory, with its mixed population of Lithuanians, Poles, Germans and Jews, should be granted full autonomy under Lithuanian sovereignty. England, France, Italy, Japan and Lithuania accepted the decision. Poland and Russia protested. And thus was another European problem settled.

THE GERMANS IN MEMEL

The question may very naturally arise as to the attitude of the Germans in Memel during these months of upheaval and negotiations, inasmuch as the large

majority of the "townsfolk" are German.

According to Herr Kraus, President of the Memel Chamber of Commerce, and a leading German, relations between the Germans of Memel and the Lithuanian Directory are of the best. Certain it is that Herr Kraus is in their inner councils. Unfortunately Herr Kraus is reported to have been on equally intimate terms with the previous French régime, which detracts slightly from the weight of his opinion. One gathers, however, the impression that the German element of Memel takes the comings and goings of foreign commissions with undisturbed placidity, as long



Traffic on the River Niemen bound for Memel

as business is not interfered with. Today the Lithuanians are in power, and the Germans respectfully remove their hats and step aside in the streets of Memel when Lithuanian officials pass.

Certain it is that the Germans of Memel have benefited immensely from the introduction of Lithuanian currency into the territory. At the time of the Lithuanian "revolution" which placed them in power the German mark was in circulation and Memel was on the verge of an economic crisis, due to the collapse of the German currency. Today the Germans of Memel enjoy the advantages of the stable Lithuanian currency.

As for the Lithuanians, they take no small degree of pride in their new charge. After generations of servitude under Russian rule, they are for the first time enjoying the opportunity to show what they can do in the master's rôle. They have overdone their part at times, but, as is often the case, a somewhat defiant public attitude has been accompanied by considerable uneasiness and apprehension in inner circles. Determined, with that tenacity bordering on stubbornness which is an outstanding Lithuanian trait, to hold what they consider theirs by right, they realized that in this Memel affair they had arrayed against them the combined forces of Europe's largest nations, and that for a five-year-old republic of less than two million people they were playing a bold and even a dangerous game.

To understand why the coming of an American referee into this situation was of special importance to the Lithuanians one must have visited Lithuania. There is a close relationship between the tiny new republic and the United States, for, with the coming of Lithuanian independence, many of that great stream of Lithuanians which found its



ALEXANDRAS STULGINSKIS
President of Lithuania

way to America during the Russian régime returned to the old homeland, and scarcely a town or village does not boast a former resident of Brooklyn or Chicago. To be greeted with the breezy question: "How are things in the States?" is a common experience. A former Chicagoan, for twelve years an American citizen, is now to be found directing an important bureau in the Ministry of Foreign Affairs. Not the least surprising experience I had was on the occasion of a visit to a historic old monastery on the hills overlooking Kovno, where, in the tranquillity of that medieval atmosphere, I was welcomed in homely, Middle Western accents by nuns from Chicago.

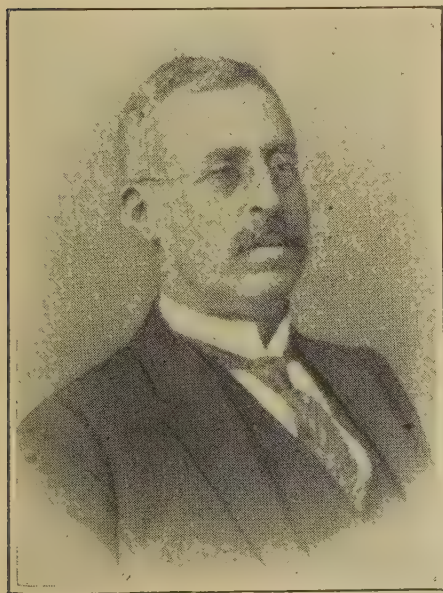


SYRIAN OPPOSITION TO FRENCH RULE

by Emir Chekib Arslan

THE Syrian people are as one in their demand that Syria be completely freed from the French yoke under which the country is suffering. Quite as civilized as some of the countries which enjoy membership in the League of Nations, Syria does not require foreign aid; she is quite capable of regulating her own destiny, a fact which the League itself has not been able to deny. But in spite of its admission of Syria's capacity for self-rule, the League of Nations has ruled that for a time a great power, viz., France, must "aid" her. And under the guise of "aid" more than one offense has been committed both against the Syrians and the elemental rules of common morality.

It should be clearly understood that



EMIR CHEKIB ARSLAN

One of the leaders of the movement for an independent Syria

the League of Nations, from the Syrian viewpoint, is simply an institution whose aim is to provide a cloak of legality for the greedy encroachments of France and England. Before, during and even after the war these two countries divided up many lands and mapped out many spheres of influence. Because it appeared to them, after the war was over, a very difficult matter to realize all these conquests by force of arms, they created in the League of Nations a council in which the French and English, along with their satellites, form a majority. Thus decisions are rendered in the name of the League which are nothing but the confirmation of secret agreements made between these two powers. Curiously enough, the Council of the League is in no way bound to consult the League itself with regard to the decisions that it takes, and decisions are made in the name of the League of Nations without the knowledge of the League itself. Thus, when we Syrians protested against the Council's decision in favor of a mandate and appealed the case to the Assembly of the League, all the delegations, excepting only those of England and France, assured us that they were convinced of the justice of our cause, but that they had nothing to do with the decisions taken by the Council which were not submitted to the Assembly. The Council is composed of seven voting members, the majority being under the control of France and England, thus,

Emir Chekib Arslan is known throughout the Near East as a statesman and a scholar. He was a member for Syria in the former Ottoman Parliament. He ranks as a ruling Prince of the Druses and his family is one of the oldest in the Orient. With Dr. Shabbender of Damascus, former Foreign Minister under King Feisal, he represents effectively the Syrian Independence Party, for which he has acted as spokesman at Genoa, Lausanne and Geneva.

in effect, being simply a tool in the hands of these two powers, who continually pretend to speak in the name of fifty-two nations!

ANGLO-FRENCH UNDERSTANDING

France and England had divided up Syria and Palestine even before the war. M. Poincaré made this admission last year before the French Chamber of Deputies, stating that "from the year 1912 we have had an understanding with the British as to Syria." The English and French are wont to reproach Turkey with having sided with Germany in the World War without any provocation, forgetting that they had already arranged with each other for the partition of one of the most beautiful provinces of Turkey. What greater provocation was needed? It is true that France and England had at that time (1912) kept their agreement secret, but

the Turks had learned of it, and the question of Syria was one of the causes which determined Turkey to oppose the Entente, whose evil intentions against herself she thoroughly understood.

The principle of this partition was agreed upon in 1912, but it was only in 1916 that these two powers, the standard bearers of right and justice, got down to business. It was through the Sykes-Picot agreement that the terms of this partition were arranged. The seaboard of Syria was to be governed directly by France; the interior, with the great cities of Damascus, Aleppo, Hama and Homs, was to have a so-called "independent" Arab government, under the protecting aegis of France, while Palestine, from a line drawn between Saint Jean d'Acre and Tyre, was to go to England. The Syrian people, strangely enough, knew nothing of this agreement. Still stranger is the



Syria as it has been carved out of the former Turkish dominions and placed under a French mandate

fact that England had already concluded an agreement with King Hussein, Sherif of Mecca, in which Great Britain recognized the independence of all the Arab countries from Cilicia to Aden, at the extreme point of Yemen, with the exception of Aden itself. This agreement was made by the Sherif on the one side and Sir A. H. McMahon, representing England in Egypt, on the other. The Sherif undertook to rebel against the Turks and to fight with the Arabs on the side of the Entente in return for complete and absolute independence for all the Arab lands stretching from Cilicia, in the north, as far as Aden in the south, and from the Mediterranean and the Red Sea on the west, to Persia and the Persian Gulf on the east. No limitation of Arab independence is found in this agreement with the exception of a few words about the coast region of Syria, in which England maintains that this district is not essentially Arab, and to which the Sherif replies by postponing the discussion of this matter until the end of the war.

THE ARABS AGAINST THE TURKS

Upon the conclusion of this agreement not only did the Arabs of the Hedjaz and other parts of the Ottoman Empire revolt, but the relations of confidence between Arabs and Turks were shattered. About half a million Arab soldiers in the Turkish Army were thus brought under suspicion, and many of them deserted. We see at once the importance of this alliance between King Hussein and England. Turkey, instead of having the Arabs as her Allies, was now obliged to send troops as far as Medina and to guard the Hedjaz Railroad for 1,500 kilometers from Damascus to Medina, in order to insure her communications. Without the aid of the Arabs the English would have succeeded neither in Palestine nor in Syria. General Allenby has himself recognized the great value of these services rendered by the Arabs to the cause of the Allies.

While the Arabs were building air castles about the idea of their future independence Russia suddenly collapsed and the Bolsheviks, coming into

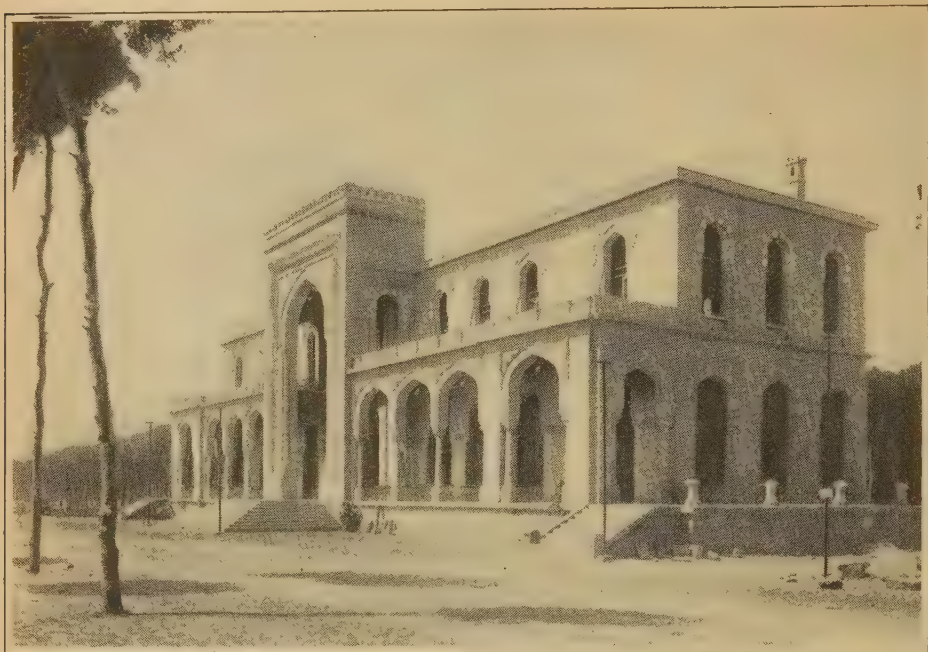
power, began at once to publish all the secret documents of the Ministry of Foreign Affairs. Among these documents was the secret treaty concluded by England, France and Russia, dealing with Arab lands and other parts of the Ottoman Empire. The Sykes-Picot agreement was published at that time by the Bolsheviks, and the Arabs learned what their destiny was to be. The Turks did not fail to inform them about it, but the English convinced them that this was all a piece of Turko-German intrigue. Sherif Hussein, however, demanded of England an explanation of this Anglo-French treaty, made without his knowledge and quite contrary to the substance of the agreements concluded with him. England replied that this was a treaty entered upon while Russia was still a going concern; that since Russia had collapsed the treaty had become null and void. From that time the Sherif began to realize his mistake, but it was unfortunately too late to correct it. The treaty which England had concluded with France and Russia antedated the Anglo-Arabian agreement. England had, then, entered upon contradictory agreements.

ENGLAND'S TREATY VIOLATIONS

More than one treaty violation was committed by Great Britain. In the first place, it was a violation of her 1915 agreement with Hussein, when in the year following she made a treaty with France that violated this agreement.

In the second place, after assuring Sherif Hussein that this second agreement had already been annulled by the collapse of Russia, the third contracting party, England, returned to this agreement, which was supposed to be null and void, and executed it literally by giving up to France the maritime zone of Syria, pursuant to the Sykes-Picot agreement, and contrary to the understanding with the Sherif, according to which the question of the coast regions of Syria was to be left to future discussion.

In the third place, it was a breach of obligation to put into execution the Sykes-Picot agreement at the close of the war, only to violate it later by exil-



Wide World Photos

The new palace of the French High Commissioner of Syria, who governs this former province of Turkey under the mandate assigned to France by the decision of the Supreme Council of the allied powers at San Remo on April 25, 1920

ing Emir Feisal, son of King Hussein, and seizing the interior by brute force, in spite of the fact that the Sykes-Picot agreement made provision for an independent Arab Government at Damascus.

A fourth violation was committed when France, pretending to act under the so-called "mandate" of the League of Nations, undertook the government of all Syria. This mandate, defined in Article 22 of the covenant as consisting of "counsel and aid," has now been transformed into a colonial régime differing not at all from that in French Algeria. This means that the Council of the League of Nations, controlled by France and England, was forced to accept a mandate scheme that was contrary to the letter of the covenant.

A fifth violation, and a fundamental one, has been committed. In November, 1918, at the time of the occupation of Syria and Palestine by the English and French, when the two powers published a manifesto in which they assured the population that they did not intend to interfere in any way with existent politi-

cal organizations; that their object was to aid the Governments of the countries in their task of administration. This announcement has been totally disregarded, for the English in Palestine and the French in Syria have laid their hands on everything and have administered everything directly without any intermediary.

THE CRANE COMMISSION

The sixth violation has important consequences. It is a well-known fact that at the Peace Conference the late President Wilson insisted that the inhabitants of Syria and Palestine should be consulted as to their future destinies. The Allies at first accepted the proposal, and the separate powers made ready to dispatch delegations to these lands in order to inquire into the desires of the inhabitants and to proceed to a plebiscite. Great Britain and France, however, at once abandoned this project, and America was the only country to send such a mission—that under

the direction of Charles P. Crane, American Commissioner for Mandates in Turkey. To illuminate this change in the point of view of the two powers that had partitioned Syria and Palestine, it should be noted that they had received news from their own representatives in these countries that a plebiscite would show the popular hostility to France and England—a rebuke which both powers wished to avoid. But Mr. Crane and his colleagues made a very detailed inquiry, beginning with Palestine, where they found very few in favor of an English mandate, while almost everybody desired complete independence on the basis of a union of Syria with Palestine, and the repudiation of the Balfour promise of a "National Home for the Jewish People." As for Syria, with the exception of a small Maronite minority on Mount Lebanon and a few individuals here and there in other communities, the overwhelming majority declared itself against a mandate and in particular against a French mandate. Inasmuch as Mr. Crane insisted at Damascus on the choice of a mandatory power, arguing that this was the decision of the Peace Conference, the Syrian Congress, assembled at Damascus, and all the notables of the country, after three days of deliberation, replied that if it were impossible to avoid the mandate, they would choose the United States of America, but with the following reservations: (1) that the mandate should last not more than fifteen years; (2) that the question of the mandate should be decided only after the recognition of a united and independent Syria and Palestine; and (3) that the experts and advisers sent over by the United States should be paid by the Syrian State itself.

The Crane Mission, on its return to Europe and later to America, presented its report to the State Department, but the Syrians have since then heard nothing more about the result of the inquiry. It has come to naught, to the amazement of the people who had depended upon America. The United States being the power that decided the victory of the Entente (without American aid the English and French would not have set

foot on Syrian soil), it should have been utterly impossible for these two powers to refuse to listen to the voice of America. But the Allies, and in particular France, have forgotten all too quickly the part played by the United States in the World War, and since its conclusion have acted in contravention of the articles of the armistice proposed by President Wilson. Here again the Allies have voided their engagements and have nullified the covenant of the League of Nations, which confers on the mandated population the right to choose the mandatory. If only after all these shameful violations, so flagrantly contradictory to their promises, the Allies had at least given the country a good administration or had succeeded in making it a happier land, we should have nothing to say. On the contrary, Syria has never been so unhappy.

FRENCH METHODS IN SYRIA.

From the political point of view, Syria has been deprived of all her liberties and treated exactly like a French colony. A High Commissioner is vested with all civil and military powers. He exercises both executive and legislative power. No decision may be executed unless it has received his sanction. He is a real monarch, and a medieval monarch at that, or at best a Governor General in some negro colony. As a result of many complaints, France consented to give the people a so-called Parliament. She began with the Lebanon and is now about to do the same with Damascus. But whether at Damascus or in the Lebanon, these quasi-representative assemblies which France has deigned to give Syria are merely caricatures of parliaments, without the rights which are the essence of representative government. They are competent to discuss only those questions that the occupying authorities permit them to discuss, and, moreover, their decisions are not final. In a word, they are consultative assemblies, and nothing more. The Lebanon population—the Maronites as well as all the others—has protested against this sort of an assembly, which does not correspond at all to what they had desired, but France has refused to listen.

At Damascus the city was closed for twelve days as a protest against the elections, but all to no purpose. France is trying by such assemblies, patterned strictly on those in her own colonies, to satisfy a country which formerly enjoyed all the rights granted by the Ottoman Constitution, having her own Deputies and Senators at Constantinople, who were treated on the same footing as the Turks themselves.

EVILS OF FRENCH RULE.

We Syrians might still hold our peace if, in spite of this despotic power exercised by France in Syria, the administration were such as at least to assure justice and the maintenance of order. Here again, however, the reverse is true. The present-day administration of Syria is a first-rate example of anarchy and corruption. The French have shown themselves far inferior to the Turks, as far as administration is concerned. The cost of government has mounted frightfully, and yet every one knows that under Ottoman control the country was better governed than it is today. France has sent to Syria all those functionaries who had already made their mark in her colonies, and these officials are trying to apply in Syria the same régime that they used with the blacks of Africa and the yellow men of Tonkin. It is needless to insist on the difference between the Syrians and the colored races, or to argue that the Syrian race, descendants of the Arabs and Phoenicians, is not inferior to the French themselves. Syrian money and French money have been squandered in order to make places for French officials who had to be given berths at all costs. Corruption passed all bounds. Under the Turks some officials, particularly among those holding subordinate positions, were contented with the surreptitious purloinment of a few medjids (a medjid is worth 4 francs), acting through third persons, in order to avoid being caught. Some of them, however, preferred to die of hunger rather than permit themselves to be bribed. Nowadays the French functionaries openly demand 100, 150 or 200 napoleons (a napoleon equals 20 francs), according to the impor-

tance of the affair in hand. Such a man will even tell you, banging his fist down on the table: "I will not put this through for you unless you pay me such and such a sum of money!" The effrontery of these people passes all belief. They give the people of the Near East a very poor impression of Latin culture. Woe to him, however, who dares to denounce a French official. The few who have ventured to do so have paid the penalty. Between Beirut and Saïda (the ancient Sidon) there is a bridge called the Bridge of Damour. This was built in Turkish times for the sum of 8,000 Turkish pounds. When this bridge was carried away by the river torrent two years ago, a French engineer was charged with the task of rebuilding it at the expense of the Lebanon Government. It cost 45,000 Turkish pounds. The Lebanon Government complained to the French authorities, who were obliged to bring the officer before a court-martial, sitting, of course, in Syria. Here Syrian engineers and experts deposed that the cost could not



KING FEAISAL OF IRAQ

Third son of King Hussein of the Hedjaz, he was King of Syria until deposed by the French. Subsequently he was chosen King of Iraq (Mesopotamia)

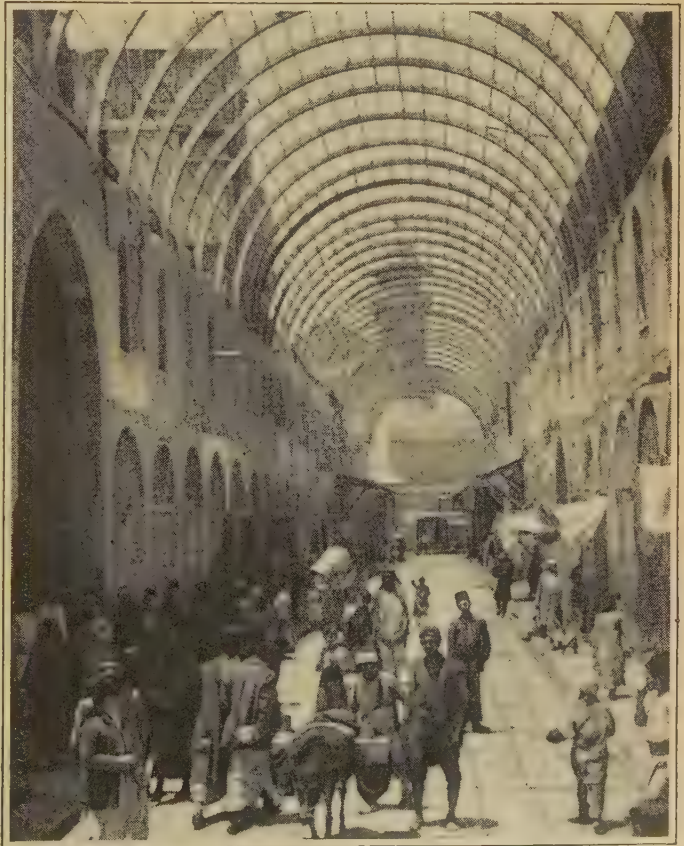
have been more than a few thousand pounds, especially since it was only a matter of partial repair. The court-martial acquitted the guilty man, however, on the ground that a "French engineer" could not be condemned on the testimony of a "Syrian." Such cases are innumerable.

FRENCH CONTROL OF PUBLIC OPINION

The press of Beirut is under the strictest censorship, the like of which never existed even in the time of the despotic Sultan Abdul Hamid. It is true that the new High Commissioner, General Weygand, has let the press breathe a little more freely, but it cannot be said that Syria enjoys such freedom of the press as she formerly possessed under the constitutional régime of Turkey. The Committee of Union and Progress did away with all censorship. France is at present voting 18,000,000 francs yearly as a secret fund for Syrian purposes. Last year the French Parliament tried to reduce this sum to 5,000,000 francs, but General Gouraud declared that with this sum he could not guarantee to maintain French influence in Syria. He was right, for with this 18,000,000 francs France subsidizes the newspapers, keeps many of the Bedouin chiefs from revolting and supports thousands of spies in all parts of the country. Espionage has never been so highly developed. These 18,000,000 francs that France

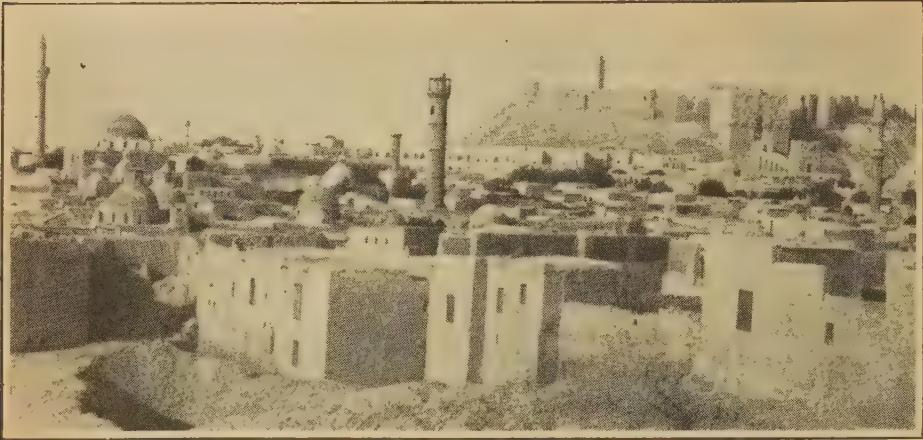
devotes to this evil purpose do not seem, however, to suffice, and Syria herself is made to pay out of her own revenues considerable sums for the conversion of her own people from the Syrian cause. At a formal reception at Damascus the notables did not hesitate to express to General Weygand the indignation felt by all the country at this shameful method of winning over the people and governing the country.

To give an idea of the sort of liberty and justice enjoyed by the Syrians under the aegis of France, I shall cite the following two examples: The Elective Assembly of Lebanon, the majority of which is Maronite and therefore friendly to France, becoming tired of French interference, decided to send the majority of the members of the council to



Publishers Photo Service

The street called Straight in Damascus



Aleppo, Syria

International

Paris, London and Rome (Washington was no longer mentioned after the negative result of the American inquiry) to voice the right of the population of Lebanon to that autonomous form of government which it had enjoyed for centuries. The members of the Assembly who signed this decision were all arrested and arraigned before a court-martial. Other notables, including the Emir Amin Arslan and Said Bey Boustany, were also arrested. The court-martial condemned them to fifteen years' imprisonment, to ten years of deportation and to heavy fines. The court-martial, composed of French officers, had, so it was expressed, "convicted them of treason against the fatherland." What fatherland? If France was meant, the obvious rejoinder is that these eminent Syrians are certainly not Frenchmen; France's sole claim in Syria is based on the mandate conferred on her by the League of Nations to "aid" Syria. If the word "fatherland" means Syria or Lebanon, which this Assembly represents, it is hard to see in what this treason consisted. On the contrary, these men had rendered a decision which tended to conserve the right of the country to independence and liberty. The condemned were deported to the little island of Ruad, off Syrian Tripoli, where they were treated worse than criminals. They were housed in dark,

damp, underground cellars and were not permitted to take mattresses or beds with them. After a long abode in this place, these notables, among whom were princes and high dignitaries, were sent off to Corsica. En route they were first landed at Marseilles and detained in the fortress there under terrible conditions, of which it is enough to say that for three days and nights they were forbidden to leave the cellar in which they were confined for any reason whatsoever.

The second case is one of which Mr. Charles R. Crane was a witness. He visited Damascus, in a wholly private capacity, two years after the investigation over which he had presided. The prominent men of the city, at the head of whom was Dr. Shahbender, ex-Minister of Foreign Affairs of the Syrian State of Damascus under King Feisal,* came to complain of the situation in which Syria found herself. His "effrontery" in daring to complain to an eminent American visitor earned for Dr. Shahbender and his colleagues a condemnation similar to that just described and a deportation that ended some days later, after the Syrians had repeatedly demanded their release.

*Dr. Shahbender, since this was written, has come to the United States in the interest of Syrian independence. A dinner was given in his honor in New York City, on March 27, under the auspices of the National Independence Party of Syria.

The French have established at Beirut a bank called the Bank of Syria. Its capital is not more than 10,000,000 (French) francs, but it has issued paper money to the value of 200,000,000 francs and without any gold backing. French money, since the opening of this bank, has depreciated 25 per cent. in value, so that the Syrians have lost from their meagre wealth 50,000,000 francs for the privilege of sharing in France's destiny. Syria formerly possessed a great amount of gold; almost all of this the French have gathered in and exported to France.

Although the mandatary power is not permitted to exploit the riches of a country to its own profit, the French have collected in Syria antiquities of inestimable value and sent them to France. The people have protested against this in vain.

Since France has occupied Syria the exports have steadily declined in value and imports have risen. Official statistics show an exportation value during the last year of 87,000,000 francs, as against imports of 500,000,000 francs. Syrian economists see in this lack of commercial equilibrium, caused by the French occupation, the total ruin of their country.

As to public security, it simply does not exist. Never has Syria seen a period like the present, when bands of crimi-

nals infest the whole country. The 40,000 French soldiers, together with 15,000 native troops in the pay of France, have not as yet succeeded in restoring order. The French authorities, impotent to hinder brigandage, come down upon the innocent villages through which the bandits have passed and force them to pay large sums in gold, under the pretext that they—in reality the victims of these bandits—have sheltered them! The real cause of this brigandage lies in the fact that although the French wish to increase their influence they do not wish to interfere with the subjects of the nomad chiefs. There is nothing more dangerous than to mix politics with the administration of justice. Furthermore, the pressure exerted upon the people for the last three years, with the belief, justified by the facts, that France wishes to colonize Syria just as she has colonized Algeria, is a potent incentive to disorder, the exasperated and oppressed people being unwilling to cooperate with the French authorities. Another important reason for the continual disorders is found in the economic depression which has prevailed ever since the occupation.

We insist on the evacuation of our country by the French, and on its admission to membership in the League of Nations on the same footing as the other countries.

THE ALLIED BETRAYAL OF SYRIA

By A. SHAHBENDER

THE value of Arab cooperation on the eastern front of the World War cannot be overestimated. It was due to that cooperation (to cite only two notable instances), that General Allenby, Commander-in-Chief of the Allied Forces in the East, was able, with a comparatively small British Army, to capture, in one war area, more than 110,000 Turkish soldiers, and that a Syrian National Government was created at Damascus. Every one believed then that this Government would endure, for the Arabs held in their hands solemn pledges given by the Al-

lies. I may, in this connection, refer to those rarely mentioned "Pledges to the seven Syrian representatives" with which I was so closely connected. It was in 1918 that Commander Hogarth, R. N. V. R., the well-known Oxford archaeologist, communicated these pledges in the form of a verbal answer

Minister of Foreign Affairs of the Syrian State of Damascus under King Feisal (1919-1921), Dr. Shahbender is the recognized leader of the Syrian independence movement. After the French in 1921 overthrew the new Syrian State, he lived quietly in Damascus until his arrest as described in Emir Chekib Arslan's article. After his release he went to France and has now come to America to work for the cause of Syrian independence.

to an address which these Syrian representatives had presented to the Government of Mr. Lloyd George, and in that answer Great Britain pledged its honor to recognize the independence of every Arab country conquered from the Turks by an Arab army. As Colonel Lawrence, the young British archaeologist, who fought so brilliantly in the Arab Army against the Turks, put it in *The London Weekly Times*, it was in accordance with these pledges that the Arab Army was installed in Aleppo, Homs, Hama and Damascus.

The Syrian National Government, which was established in these four Arab centres on the terms of the above mentioned understanding, lasted from October, 1918, to July, 1920, during which time the people of the interior, in contradistinction to the people on the Coast under French administration, enjoyed a good civil democratic Government, combined with a very promising reconstructive policy. Syria had not been so hopeful since the days of the Omagade Dynasty in the eighth century. The official representatives of foreign imperialistic nations could not allow such a state of affairs to continue and the French High Commissioner, following the antiquated policy that has always characterized the history of Western colonization in the East, presented, on July 14, 1920, an ultimatum to the Syrian Government demanding, within four days the acceptance of five conditions, among which were the demobilization of the Syrian Army, submission to the French mandate, and the circulation of the so-called "Syrian" paper money, which had practically no gold behind it.

In order to avoid unnecessary bloodshed and in the belief that the Allies

would fulfill their pledges, these terms were acceded to, and as a sign of the sincerity of the Syrian Government, the national army was immediately demobilized. Every one of us felt the humiliation of these terms, but a possibly graver humiliation at the hands of an army, three-fourths of which were Senegalese, was much more to be dreaded.

As the evening approached when the expected detailed answer to the French ultimatum was sent for transmission it was found that the telegraph wires had been cut. The perpetrator of this infamous deed was not discovered. What is significant is that it occasioned a delay of two hours in the transmission of the Syrian reply, and that on the pretext that the answer was late the French troops, with their Senegalese territorials, were ordered to advance. Next morning, practically without resistance, the capital of Syria fell into the hands of the invaders.

Let me remind the reader that this military occupation, with all the economic and civil hardships that it entails on the Syrian people, has failed to destroy their national spirit; on the contrary, it has added oil to the flame. On the occasion of the funeral procession of the thirteen Egyptian nationalist martyrs, in 1919, it was easy to give a verdict on the real nature of British rule in Egypt. That the same verdict applies to French rule in Syria is shown by those peaceful demonstrations for liberty that started in Damascus in April, 1922, and ended, as in Egypt, by prison sentences ranging from four to twenty years, by bullets from machine guns and tanks, and by funeral processions of Syrian martyrs for independence.



THE DIVORCE LAWS OF AMERICA AND EUROPE

by Nancy M. Schoonmaker

IF we have kept our eyes upon the number of organizations which, during the past year, have in convention endorsed strong resolutions calling for a unification of our divorce laws, we must be convinced that a very considerable bulk of opinion in favor of it has grown up among us. Such action has been taken by individual men and women, by political and social organizations, by those who are alarmed by the present increase of divorce and by those who see in it only added evidence of our growing appreciation of the highest type of marriage.

The United States, as is well known, boasts at present an almost unbelievable variety of State laws covering divorce, all of them certainly passed in good faith for the purpose of protecting the institution of marriage. From South Carolina, where divorce is not allowed, and New York with its one statutory cause, to New Hampshire with its fifteen recognized grounds, and Kentucky with its graded causes, two for both parties, three each for husband and wife and six for the party not at fault, we have run the gamut of most of the human frailties as legal reasons for untying the marriage knot. That unfaithfulness is accepted by our United States, as by most of the nations of the world, as the fundamental and unquestioned cause, gives evidence of civilization's trend toward monogamy. Standing at the opposite end of the scale, as a ground of divorce, is bad temper. One can easily imagine the fine distinctions a judge must be able to make in deciding just how bad and how frequent these attacks of temper must be before they can be regarded as fulfilling the requirements.

Counting certain duplications, there are now 363 causes for divorce in the United States. The result has been and is "confusion worse confounded." Beside the very evident fact that these multiple laws have not succeeded in reducing, or even limiting to old conservative figures, the number of divorces annually granted by our courts, the complication arising from a conflict in the various State laws has been a scandal, not only among ourselves but also to the rest of the world. Europeans—except the Swiss, who have a similar system—are in every case almost hopelessly befuddled by the complications caused by the crossing and limiting of our State and Federal laws. They are even more amazed when they learn that within the limits of our nation a man and woman may be legally divorced in one State, but by no means free of their bonds if they travel half a mile away across the border of an adjoining State; that this same divorced man and woman may in one State legally enter upon a new marriage, again to find that, half a mile away, they have been guilty of bigamy; that the children born of the new relationship, call it marriage or call it bigamy, are legal offspring in one State and illegitimate in the next.

All this confusion is by no means the result of new or recent legislation. The lawyers have always known that the grounds for it were there. It has been

Mrs. Schoonmaker is well known as a lecturer and publicist on sociological questions. She has made a special investigation of feminism and subjects allied therewith in many countries of Europe which she has personally visited. She has been given special facilities both in the United States and in most of the capitals of the Old World for intensive study of the twin problems of marriage and divorce.

common knowledge also that it rose from one of the fundamental impulses which went into the making of our Government, that fear of central domination which made us set up our system of checks and balances, of limited Federal authority, of State's rights, of town meetings, all for the purpose of retaining in our individual hands the largest possible amount of control. In formulating the laws covering divorce—most of them passed at a time when we were far more convinced than we are now that all marriages are made in heaven and when the divorced person was more or less ostracized socially, to be either pitied or condemned but never associated with—one State showed not the least concern with what its neighbor had enacted. When we attempt to lift the whole matter out of the hands of the State and pass one Federal statute which will apply in all States, we may expect a flare-up of the old "State's Rights" sentiment as well as considerable disagreement as to just what the provisions of that Federal statute shall be. We shall have to reckon with the conservative sentiment of the South, with the freer, more liberal Western theory of allowing another experiment in marriage as in any other undertaking, and with the individualistic view of New York, where every year a few more thousand nice men and women, preferring dishonesty to indecency, stage a little "act" which furnishes necessary evidence to credulous detectives upon whose testimony the divorce is granted.

WORLD DIVORCE ON INCREASE

We are at last fully convinced that laws, no matter how strict, will not produce happy marriages any more than they will force people to remain married when they wish to be unmarried, or will prevent them from venturing upon another matrimonial experiment with hopes of more success. Whether one believes it spells the greater sinfulness of our present generation or a finer, higher sense of what the right kind of marriage can and should be, there is no evading the plain fact that all over the world divorce is on the in-

crease. It is an illusion to suppose it to be our own peculiar American vice, growing out of our unsteady, volatile temperament and encouraged by easy access to Reno. In countries where divorce is almost impossible to secure, men and women still find ways of circumventing the law and of ridding themselves of their chains. In such countries divorce is on the increase. In countries where the divorce laws are most liberal and freedom may be had for the asking, there, too, the number of divorces mounts up to larger and larger figures. In England, where the old law, slightly modified, still obtains, there are more and more divorces every year. In France, where they have held to the idea of making it very difficult to marry and very easy to unmarry, divorce is greatly on the increase. In the Scandinavian countries, where the very latest form of divorce law is being tried, society stands aghast, not so much at the increase in the number of those seeking and obtaining separation as at the number of eminent and respectable citizens who are finding solace in remarriage. In the United States the ratio is one divorce to every eight marriages; in France, where divorce is said to be "neat, quick and secret," the quoted price being something less than \$1,000, the ratio is one to five, the number rising in one year (1918-1919) from 7,851 to 11,514. In England the number rose from 2,222 in 1918 to 7,044 in 1921; in Germany, from 13,344 in 1918 to 36,542 in 1920; in Switzerland, from 1,699 in 1918 to 2,241 in 1920; in Sweden, from 1,098 in 1918 to 1,455 in 1922. Norway alone has the distinction of showing a decrease, from 594 in 1918 to 587 in 1922.

It would seem, therefore, that laws, be they strict or liberal, have very little influence on the ultimate result. Why agitate, then, for a uniform, better divorce law for the United States? Why not continue as we are, speaking our forty-eight different divorce tongues in our forty-eight States? If divorce is bound to increase whatever we do, what is to be gained by uniformity?

Chiefly because there is, after all, a certain moral effect upon the individual

in observing the law. If we find it impossible to live up to the laws that restrict us, perhaps we would do well to examine not only our own hearts, but also the law itself. If it is found that the statutes as they exist at present foster not a higher but a lower standard of behavior; if instead of preserving marriage in its beauty and purity they rather put a premium upon immorality, making it the price of the desired freedom, then certainly the law needs modifying. If we insist upon divorce, no matter how our preachers and teachers rail at us, then certainly the more decently the divorce can be obtained the better for the individuals directly concerned and for the body social as well.

The proposed Federal measure which Senator Capper introduced in the last session of the Senate, and which is now in committee, is an effort to choose the middle path, in the hope that the liberal, the conservative and all the opinions lying between these two extremes may be brought together. This proposed measure provides for uniform regulation of marriage and divorce and recognizes five causes for absolute divorce: (1) adultery, (2) cruel and inhuman treatment, (3) abandonment or failure to provide, (4) incurable insanity, (5) conviction for infamous crime. Mild and rational as the measure is, there is needed for its passage some larger measure of popular support, not alone from the thousands who want divorce, but from the millions of others whose marital adventure has turned out happily but who are still rational and courageous enough to support at least decently liberal divorce provisions. And it is well to know, also, that by such a step we are keeping in line with what the rest of the world is doing.

SLOW PROGRESS IN GREAT BRITAIN

Last year Great Britain, after more than fifty years of loyalty to her old divorce law, which dates back to 1827 and which recognized only the one biblical cause for divorce (admitting also ill-treatment and desertion if the woman is seeking the decree), finally made the terms identical for men and women. It is no longer obligatory for the husband

to beat and desert as well as betray his wife. He has only to sin against the marriage bond. And that, in England, is thought to be a long step. It is not to be supposed, however, that English men and women have been any more honest or willingly indecent than we have in furnishing evidence that would satisfy the court. Not long ago all London was discussing the case of a couple prominent both socially and politically who obtained a divorce on evidence furnished by the husband in collusion with one of his own relatives. The husband subsequently published a letter in one of the leading newspapers, describing the whole stratagem. London read and laughed and a few more people were converted to the idea of a more liberal divorce law.

It has not come easy to England, however, thus to circumvent the law. English tradition and psychology are all for obeying it. In England they look with scandalized horror upon our easy American indifference to law-breaking. So when England found that the old divorce law was beginning to pinch, and, worse than that, was encouraging lawlessness, it took steps to liberalize it. But those steps have been long and slow of accomplishment. The man in the street does not remember just how long ago the Royal Divorce Commission began its labors, but it was long enough, at least, to have produced several great tomes of findings, which the British Museum lays out before you with a good deal of conscious pride. Not many countries have done the thing as thoroughly as that. But progress was mostly confined to reporting, for the leisurely labors of the Royal Commissions are not unlike those of like bodies in our own republican land. They are only the beginning. Lords and Commons must accept or reject. And the majority report of the Royal Commission on Divorce has been used as a football back and forth between the two houses till the people almost gave up hope.

Year after year, however, more and more people of more and more classes went on demanding that something be done. An illustration is an incident in

the Woman's Cooperative Guild. As a branch of the great central organization, the English Cooperative Movement, the Woman's Guild habitually received from the parent body a yearly stipend for use in its work. When the popular agitation for divorce reform began, the Woman's Guild joined in the movement. The general cooperative looked with disfavor upon such action and let its displeasure be known, hinting at a withdrawal of the yearly stipend. Immediately the Woman's Guild accepted the challenge, gave up the money and went on backing divorce reform. It is worth noting that the main body, after holding off for a year or two, thought better of its decision and continued the appropriation to the women's branch.

The English divorce law that finally came to a vote in Parliament was by no means as liberal as the Royal Commission had recommended. It undertook to make the terms identical for men and women, and even that was won only after a hard battle. The Opposition expressed its fear that decent England would "degenerate into the condition of America, where the state of affairs is merely camouflaged polygamy and polyandry." But with the support of so high a dignitary as the Archbishop of Canterbury, the bill was finally passed.

Another aid to would-be divorcees in England has been what is called the Poor Persons' act. The cost of divorce in England has done almost more than the law in preventing the decrees. Among the lower classes there was growing up the practice of boldly walking out of marriage and, law or no law, as boldly walking into an unblest union. So England hit upon her system of State aid. By the provisions of this act, provided you do not mind putting yourself in the poor persons class, divorce can be had at bargain rates. The figures show the results. In 1913 there were 1,267 divorces granted in England; in 1919, 5,763, of which 2,341 came under the Poor Persons' act.

In sharp contrast to the hesitating policy which England has followed are the reforms which the Scandinavian

countries have swiftly and resolutely put through. There, too, especially in Sweden, the marriage law was, a generation ago, so archaic in form and spirit, based upon so mean an opinion of women, that no self-respecting woman could enter upon matrimony without feeling herself something less than slave and chattel. There are whispers of more than one high-minded pair who preferred a common law marriage to such legal bondage.

SCANDINAVIAN COUNTRIES MOST LIBERAL

Finally convinced of the need of change, the Scandinavian countries embarked upon a plan of unifying their social legislation, and in 1910 set up a Scandinavian Commission for Social Legislation. The members were eminent jurists, each of the three countries including in its delegation one woman, Fröken Elise Sem from Norway, Fru Emilie Broomé from Sweden and Fru Estrid Hein from Denmark. Like the Royal Commission of England, this body made a profound study of the whole matter of social legislation. Its final report was not made until 1918, but certain sections of the report had been given out earlier, and already in 1915 Sweden was enacting into law the marriage and divorce recommendations of the commission. Norway took the same step in 1918, and Denmark, waiting to act upon the completed report, gave its ratification in 1922.

The grounds for divorce which these laws provide are the most liberal possible. The old theory that divorce could be secured only by reason of crime gives place to the more enlightened one that the best and most fundamental reason for granting a divorce is, after all, that the two people chiefly concerned both desire it. The simple desire, simply stated—mutual consent—that, it is held, is all the Court or the State has a right to ask or to know. The two people seeking the decree will appear before the proper authorities and make their request. They will then depart and, for a period of one year, will live separated, that one remaining in the home who has been the less culpa-

ble or whose absence would mean the greater loss to the children. At the end of the year, if there has been no change of heart and the divorce is still desired, the two people will again appear before the authorities and repeat their request, and the decree will be issued.

There are also provisions for those situations in which only one of the two parties desires a divorce. Here, too, the Scandinavian law is based on the belief that the marital relation is moral only when love is the binding tie. The law recognizes as grounds for divorce, when petitioned for by only one of the spouses (in this section of the law there is slight variation in the three countries), flagrant neglect, misuse of intoxicants, a vicious life, willful desertion after three years, bigamy, exposing to venereal disease and incurable insanity.

Liberal as the provisions of the Scandinavian law appear, it is even more liberal and farsighted in respect to other provisions whose fulfillment is vital to the nation's well-being. Under these further provisions, the law seeks to secure also the largest possible good for the children of such unhappy unions. It instructs the Court to arrange for their care, guided by what is considered best for them. If the parents have agreed between themselves as to what shall be done with the children, the Court abides by this decision unless the child's welfare is endangered. Both parents must contribute to their support, guardianship going to the parent to whom they are awarded. Thus the Scandinavian law "extends a greater protection to the weaker members of the family, the wife and the children, and has, by its direct and implied emphasis on the spiritual significance of marriage, earned a high place in the annals of modern family legislation. It would preserve the dignity of marriage by putting an end to unions which are a disgrace to its name." Since the new law has been passed, 80 per cent. of the divorces have been secured by mutual consent.

In those new countries which have

been set up since the war, that long chain of little new republics, Latvia, Lithuania, Czechoslovakia, Yugoslavia, which cut their way across old monarchistic territory, the definite principle seems to have been adopted of putting difficulties in the way of marriage and allowing divorce to be had for the asking. Hard to get in, easy to get out of matrimony, is the rule they propose to try. This has, for a long time, been the policy of France, where it is no unheard-of thing for a marriage to be abandoned because it has been impossible to procure either the death certificate or the written consent of some distant relative. But the French statistics of bigamy and divorce, mounting higher every year, hardly give ground for hoping that these new republics have found the ultimate solution of the divorce problem. Undoubtedly, however, their action gives added proof that this is the general tendency of the world.

In Germany, Austria and Bolshevik Russia the new social legislation points to the same more liberal view of divorce as something which primarily concerns the two people involved. Mutual consent is recognized as the most logical ground, but careful provision again is made against an irresponsible attitude toward children or wife. And there can be little doubt that the women of these countries who bore the heaviest brunt of the old marriage laws have benefited vastly by the new regulations. There is also little doubt that in these countries, as in every other, under these laws as under every other, divorce will continue to increase. That granted, it is easy to accept the philosophical conclusions of a prominent Scandinavian that, "since we must have divorces, let us secure them decently and with the least possible fraud and injury both to those directly involved, the family in which the event takes place, and to the larger family, society." In America, the first step toward that happy end will be certainly a uniform law for all States. That accomplished, it is conceivable that the next step will be for a uniform law for all civilized nations.

THE NEW GREEK REPUBLIC

by W. J. Rapp

WHEN the Greek nation goes to the polls on April 13, to decide by referendum vote whether or not Greece shall henceforth be a republic, a stormy chapter in the country's history, a chapter that began with the first French intrigues to overthrow King Constantine during the World War, will come to a close. Americans have closely watched the internal strife in Greece that, proceeding from one coup d'état to another, has just culminated in the overthrow of the Holstein-Glücksburg dynasty. From September, 1922, until the beginning of 1924, Greece was ruled by a military dictatorship. Since then power has been exercised by a Parliamentary Government, or, to be more exact, a succession of Parliamentary Governments. In view of the European tendency to seek efficiency in government through dictator-

ships, a study of the Greek revolutionary régime is of particular interest and value, throwing light, as it does, upon the methods of dictatorships in general, and especially those of military character.

On Sept. 26, 1922, 15,000 insurgent soldiers of the Greek Army, which met defeat in Asia Minor, landed near Athens and marched on the city. They entered the city without bloodshed, forced King Constantine to abdicate for the second time, dissolved Parliament, and put the full powers of government in the hands of a Revolutionary Committee, of which Colonel Plastiras and Gönatas were the chiefs. Both these officers had held commands in the defeated army and had never been identified with the internecine struggle which since 1915 had divided all Greece into Royalists (Constantinists) and Liberals (Venizelists). The Revolutionary Committee attracted all the extreme Venizelist factions, who were anxious to revenge themselves for the overwhelming defeat of 1920, when Constantine was restored to the throne over Venizelos's opposition. The most bellicose and irreconcilable of these factions, led by General Pangalos, demanded not only the abdication of the King, but the exile of the royal family and the erection of a republic or the establishment of another dynasty. They also demanded the trial for treason of all the Royalist Ministers and prominent Generals. Plastiras and Gönatas gave way on the latter point, but insisted that Prince George, the oldest son of King Constantine, succeed his father on the throne.

General Pangalos acted as prosecuting attorney of the military court which condemned to death five ex-Ministers and the Commander-in-Chief of the Greek army in Asia Minor. When England interfered on behalf of the



GENERAL PANGALOS

The Greek officer who reorganized the Greek Army after the defeat in Asia Minor

Mr. Rapp was formerly engaged in relief work in the Near East and Greece.



COLONEL GONAS

A member of the Greek Revolutionary Committee and for a time Premier

condemned men, Plastiras and Gonatas were willing to commute the sentence to life imprisonment or exile, but Pangalos and his group threatened a counter-revolution if the death sentence were not executed. Pangalos won, and a river of blood between the Venizelists and the Royalists promises to keep Greece divided for at least a generation.

The first problem facing the Revolutionary Committee was that of making peace with Turkey. It requested Venizelos, who had left the country after his defeat in the 1920 elections, to act as its plenipotentiary at the Peace Conference. Venizelos agreed on condition that he would be given full powers and a free hand; that an army of 100,000 men would be immediately organized in Thrace, and that no military action would be taken except as advised by him. The committee accepted these terms and Venizelos represented Greece at the Conference of Lausanne.

The task of building up a new army was confided to General Pangalos, who

was made Military Governor of Macedonia and Western Thrace as well as Commander-in-Chief of the army. Pangalos is an energetic and capable soldier, and by May, 1923, six months after the beginning of the Lausanne Conference, he had organized a well-equipped and trained army with an excellent morale. Until the Macedonian Army was ready, Venizelos adopted obstructive tactics, but once the army was prepared he issued his ultimatum to the Turks on the question of reparations and won. The fact that the Turks received all the blame for the long duration of the peace negotiations is another proof of the diplomatic skill of Venizelos.

ALLIED INTRIGUES

At Lausanne the Greeks and Turks were only minor figures. The real protagonists were England and France. To understand the positions of these two powers at the conference as well as their present attitude toward Greece, one must go back to 1915, when France decided to make Greece the instrument of her ambitions in the Near East. There were then two men who could lead the Greek people—King Constantine and Venizelos. The King had the advantage in that he could rule without Venizelos, but it was impossible for Venizelos to dispense with the King. France, in looking for some one through whom to control Greece, chose Venizelos. She found him willing to promise anything and absolutely trustful in her good intentions toward Greece. He did not ask disagreeable questions or demand embarrassing guarantees. The King was jealous of the rights and fearful for the future of his country. He was sympathetic toward the Allies, but before throwing his people into a struggle into which three small States (Belgium, Serbia and Rumania) had been overrun by the enemy, he wanted assurance that the same thing would not happen to Greece. The difference in policy between King Constantine and Venizelos finally narrowed down to the question whether Greece should join the Allies with or without assurances of proper

financial and military aid, as well as guarantees that the integrity of Greece would not be violated at the Peace Conference following the war in case the Allies were victorious. France preferred Greece on the terms of Venizelos and decided to ignore the King. In doing so she reckoned without the Greek people.

When the differences between the King and his Prime Minister resulted in an open break the allied press immediately began a vicious attack on the King. The fact that he was a brother-in-law of the Kaiser and a Field Marshal in the German Army were brought forward to prove that he was pro-German and therefore insincere in his professions of sympathy for the allied cause. In contrast, Venizelos was pictured as the only statesman in Greece whom the Allies could trust and whose continuance in power was absolutely essential to allied victory in the Near East. This propaganda left the Greek people cold. They preferred to trust their King, who had led them to victory in two wars against their hereditary enemies. Unfortunately the French decided that if the Greek people would not voluntarily follow Venizelos they could be forced to do so.

In the Autumn of 1916, under the protection of the allied army in Macedonia, and with the aid of the allied fleet in the Eastern Mediterranean, Venizelos initiated a revolution, which failed. In June, 1917, the French, by means of their army and fleet, forced the King to abdicate, occupied Athens and installed Venizelos as Dictator. Venizelos immediately declared war on the Central Powers and Greece joined the Allies. But it was a hopelessly divided Greece that the Allies won, not the united Greece that they might have had had they chosen to work with the King. It is only just to say that in all these manoeuvres England was an unwilling accomplice. She acted with France because she could not allow France to act alone.

France found Venizelos a most satisfactory instrument until the Peace Conference at Paris was well under way.



COLONEL PLASTYRAS
One of the leaders of the Greek revolution

Then, as the old rivalry between France and England in the Near East again began to show itself, she discovered Venizelos playing England's game. This immediately strengthened the hand of those Turkophiles among French politicians who had always maintained that only Turkey could serve French ambitions in the Near East, as Greece, because of her geographical position and physical outline, was bound to move with the strongest sea power, England. It was with her tongue in her cheek that France signed the Treaty of Sèvres on Aug. 10, 1920, and it was not without secret joy that she saw the defeat of Venizelos at the election held a few months later. The return of King Constantine enabled the French Government to justify the abandonment of its late ally, Greece, and to come out in the open for Turkey. After six years of apparent agreement, the struggle of four centuries between France and England in the Near East was resumed.

Turkey willingly accepted French aid

against Greece, but when, thanks to this aid, she vanquished the Greeks there was little tendency on her part to show gratitude. The French discovered that the new Turkey proposed to be mistress in her own house and to uproot all foreign influences—French included—that threatened to undermine the authority of the Angora Government in even the slightest degree. Many a time during the Lausanne conference the French would have liked to use force against the Turks to make them abandon their intransigent stand, but even the French Government has to consider public opinion, and to justify to the French people military action against such recent allies was impossible. There was one weapon, however, that could be used—the Greek army in Western Thrace. Unfortunately for the French, that army could not move except with the consent of Venizelos, and as England was opposed to further war in the Near East Venizelos would not say the necessary word. In this policy he had the absolute support of the chiefs of the Revolu-

tionary Committee in Athens. But the ways of diplomacy are many, and the Quai d'Orsay knows most of them. General Pangalos, commanding an army which was anxious for revenge, desired to march against the Turks. With encouragement from the French, Pangalos proceeded to organize a coup d'état against the Revolutionary Committee, hoping to become Dictator and then make his position unassailable by a victorious campaign against Constantinople. The Revolutionary Committee, learning of his plans, sent General Gargalidis to Macedonia and Thrace to undermine the allegiance of the army to its commander, and when Pangalos insisted on war he discovered that his officers were not with him, and he was forced to resign. France, unable to bring military pressure to bear on the Turks, had to give way to their demands and peace was signed at Lausanne on July 24, 1923.

With the signing of peace the real troubles of the revolution began. According to its promise on assuming power it was to turn over the Government to a civil régime when peace was signed. At first it requested Mr. Zaimis, an aged statesman who is well known for his freedom from the strong partisanship that characterizes most Greek politicians, to form a national bloc or party of reconciliation. Zaimis agreed, but soon gave up his task, as the revolution refused to consider any rapprochement with the old royalist party, the leadership of which had fallen on General Metaxas, who had been Chief of Staff of the Greek Army in 1914-15, and who, because of his relentless opposition to the policy of throwing Greece into the war on the side of the Allies without any guarantees, was especially hated by the Venizelists. They also feared him because he was a most capable organizer, possessing a sort of genius for the building up of organizations of the Fascist type. The committee probably feared most the Metaxist extremists, who threatened to shoot everybody identified with the execution of the royalist ex-Ministers. It finally decided that a Venizelist victory at the coming election was absolutely essen-



QUEEN ELIZABETH OF GREECE
Daughter of the King of Rumania and sister-in-law of the King of Yugoslavia.

tial, and proceeded to change the election law to insure that victory.

The Jews of Saloniki and the Turks of Western Thrace, notorious for their anti-Venizelist sentiment, were put into separate electoral colleges, which prevented them from influencing the election of a far greater number of Deputies. On the other hand, the million and more pro-Venizelist refugees were given the ballot and distributed strategically about the country. In districts where a few thousand additional votes would insure the election of a Venizelist Deputy the refugees provided these votes. Officers of the army and navy on active service were permitted to stand for election to Parliament and the election district was changed from the "nomarchie" to the smaller "eparchie," a decided aid to the Venizelist cause.

PLOTS AND COUNTER-PLOTS

Shortly after making these changes and stating that it would hold power until after the election, the Revolutionary Committee announced that it would support the Liberal Party in the coming contest. This news immediately caused trouble in the army, as it meant the reconciliation of the committee with General Pangalos, who had been made chief of the Liberal Party for Macedonia and Thrace. General Gargalidis, who was now opposed to the committee because of its failure to award him command of the army after his services in preventing the coup d'état of Pangalos, proceeded to organize a counter-revolution in conjunction with General Leonardopoulos and Colonel Ziras, both of whom were originally sympathetic to the revolution, but were opposed to Pangalos. General Metaxas, learning of the proposed counter-revolution, gave the movement his secret support.

On Oct. 21, 1923, a proclamation appeared in the Athens papers signed by Generals Gargalidis and Leonardopoulos and Colonel Ziras calling on the Revolution Committee to avoid a fratricidal war by yielding place to a Government inspiring general confidence; and on the King to retake his constitutional powers and name a Government which, as soon as possible, should hold



EX-KING GEORGE OF GREECE

free elections based upon the old election law. The committee replied by re-establishing martial law, which had been abolished one week previously, and by naming General Pangalos Commander-in-Chief of the army.

This was the signal for the counter-revolution. That night the rebels, who had won over the Fourth Army Corps in Eastern Macedonia, entrained their troops for Saloniki, planning to occupy the city early on the following Monday morning. They hoped to do this without bloodshed. Another group of rebels at Corinth planned to march on Athens simultaneously with the rebel forces in Macedonia after the latter had taken Saloniki. In the meantime rebel groups in the various garrisons about Greece would seize command of their respective garrisons. Thus the counter-revolutionary leaders hoped to control the country in a very short time. The movement would probably have succeeded if knowledge of the march on Saloniki had not reached the commander of the loyal garrison there late on Sunday night, enabling him to destroy the rail-

road and to take other steps for the defense of the city. With the failure to take Saloniki the counter-revolution weakened and in two weeks the rebels were completely vanquished. The direct result of the counter-revolution was the destruction of the Metaxist Party—Metaxas fled the country and his chief henchmen did likewise, or were jailed—and the winning of absolute control of the army and navy by Pangalos and his clique.

During the counter-revolution rumors that the King was involved were diligently spread by the Liberal press. These accusations were apparently "inspired," as the only evidence against the King was the fact that two of his aides-de-camp knew of the rebel movement and were sympathetic to it. There was no proof that the King knew of the activities of his aids or in any way abetted them. These rumors, however, were the beginning of a powerful republican propaganda. Before this time republican sentiment in Greece had been practically non-existent. A small group under the leadership of Mr. Papanastasion published a four-page weekly called the Republic, but they had no following outside of their own little circle. Now this unimportant weekly blossomed out into a leading Athenian daily, and to the ranks of the Republicans were added General Pangalos, Colonel Condylis and Admiral Hadji-kyriakos. This triumvirate demanded the expulsion of the King and the immediate proclamation of the republic. Again Plastiras and Gonatas found themselves opposed to Pangalos, but this time Pangalos was sure of his support. The army and navy had been purged of all his enemies by the courts-martial following the counter-revolution. With much difficulty Plastiras and Gonatas succeeded in getting Pangalos to agree to hold off the proclamation of the republic until England, France and Yugoslavia could be consulted as to their attitude toward a change of régime and until the opinion of Venizelos could be ascertained.

The replies of the three powers have never been made public. It is generally

believed that those of England and Yugoslavia were unfavorable to a change of régime, while that of France was favorable. An unofficial version of the French reply was published, according to which the French Government stated that it had no intention of interfering in the internal affairs of Greece, and expressed the hope that French economic interests in the Near East would not be injured by the breaking out of disorder or by the prolongation of an abnormal political situation.

FRENCH AIMS IN GREECE

In well-informed circles in Athens it is generally believed that the republicans received financial aid from the French. It may be asked what France hopes to gain by a republic in Greece. The answer is easy. Turkey has refused absolutely to be an instrument of French ambition and, moreover, the interests of France and Turkey clash in Syria and Southern Cilicia. Therefore, France again turns to Greece. As in 1915, she endeavored to control Greece through Venizelos, so today she endeavors to do it through the republicans. A rapprochement with Greece is especially vital to France at present because her position in the Mediterranean has been endangered by the Italian-Spanish alliance. France is striving for a Poland in the Eastern Mediterranean. As long as any of the Glücksburg dynasty remained on the throne of Greece it was doubtful if the relations between France and Greece could have had the necessary intimacy to suit French purposes. It would have been difficult for King George or any of his family to forget what happened to ex-King Constantine.

The Revolutionary Committee, in order to ascertain the views of Venizelos on the change of régime and also to know whether he would reconsider his decision not to re-enter politics made after his defeat in 1920, sent General Othonaios to Paris. Venizelos, in a letter to Othonaios, reaffirmed his decision not to participate again in politics, but expressed his willingness to serve Greece in any non-political capacity. He stated that it would be fatal to Greece



An election meeting in front of the Temple of Jupiter, Athens

if a republic were established by a coup d'état or even by a plebiscite before the election, as a plebiscite held under a military régime "would be simply a comedy." He suggested "that the republicans can present themselves at the election, formally declaring that they do not intend to impose a change of régime by the vote of the National Assembly, but simply will endeavor to have the Assembly submit the question immediately to the vote of the people through a plebiscite." In closing this letter, he said that he had ceased to believe in the necessity of a monarchy for Greece, but that as a sincere republican he could not support those who wished to establish the republic by violence, whether open or hidden.

This letter of Venizelos caused a great stir. The Republicans agreed to give up their insistence on an immediate plebiscite if the Liberals would support the republican movement in the coming election and, later, in the National Assembly. Many Liberals, taking Venizelos at his word as a "sincere republi-

can," joined the Republicans, and for a time it looked as if the Liberal Party would be assimilated by them. Venizelos subsequently telegraphed that nothing in his letter to General Othonaios could be interpreted to mean that the Liberals should enlist under the republican banner, but the damage was done and the old Liberal Party was apparently divided into three groups—Republicans, Liberal Republicans and Conservative Liberals. The time from the reception of this telegram—Nov. 21—till election day, Dec. 16, was spent in negotiations among these three groups, the refugees and the Revolutionary Committee, for the presentation of a single list of candidates. In most districts this entente was achieved and these groups presented a united front to the electorate.

VENIZELOS RECALLED

During this month of political turmoil a great cry went up all over the country for the return of Venizelos. Demonstrations and mass meetings were

held in many cities and numerous petitions sent to Paris asking the ex-Premier to return. In reply to a petition for his return voted by an exceptionally large meeting held in Athens on Dec. 2, Venizelos said that he would not take an active part in politics but was ready to serve on the Council of State, whose purpose is to co-ordinate the activities of the various Government departments and to elaborate legislation. Every one considered this reply to mean that if the results of the election were favorable Venizelos would return to Athens, and once there he would have to assume the direction of the Government.

The Republican extremists had never ceased to demand the immediate proclamation of the republic, or at least the immediate departure of the King. As they controlled the army and navy, it was never certain what would happen. The Revolutionary Committee was in an awkward position, fearing equally the Republican and Royalist extremists. The various Royalist factions had decided to abstain from participation in the elections but held a great demonstration in Athens on Dec. 9, one week before the election. It was a most imposing demonstration. Thousands of people marched to the ancient Temple of the Olympian Zeus, where they gathered in a giant meeting. Pictures of the King were carried by most of the demonstrators. When the meeting ended, a column of marchers made their way to the headquarters of the Revolutionary Committee, where they met a group of Republican demonstrators moving in the opposite direction. There was an exchange of angry words, then of blows and finally of pistol shots. The soldiers guarding the committee's headquarters fired over the crowd to disperse it. The Royalists charge that they fired into the crowd. What exactly did happen will probably never be known, beyond the fact that ten persons were killed and fifty wounded. Thus more blood was added to the stream of hate that keeps Greece divided.

The non-participation of the Royalists in the election was a grave blunder. The majority of the Greek people pre-

ferred a monarchist régime. Venizelos and many other Liberal leaders realized this and insisted that the question of the régime should not be decided by the election, but should be left to a subsequent plebiscite. In the public mind, however, Venizelos and the Liberal Party had become irrevocably identified with the Republican cause. In spite of the changes in the election law and the powerful coalition opposed to them, the Royalists stood a good chance of winning. But this time there was very real danger that the Republican extremists, who were all-powerful because of their control of the army and navy, would not allow them to assume power. In an interview with General Pangalos in Saloniki, early in December, I questioned him on this point. He then stated that he was perfectly willing that Greece should have a monarchy if the people preferred it, but that he and his friends would not allow the present dynasty to continue on the throne without a struggle.

The election resulted in the naming of 150 Republicans, 70 Liberal Republicans and 170 Conservative Liberals in an Assembly of 396 members. The Republicans considered this a victory for their program and demanded the immediate departure of the King. The Revolutionary Committee yielded to the extent of inviting the King to leave the country until the question of the régime was permanently settled. On Dec. 19, the King and Queen left for Rumania, and Admiral Condouriotis, intimate associate of Venizelos in the revolution of 1916, and regent after the death of King Alexander in 1920, again assumed the regency. The revolution, seconded by a large majority of the newly elected Deputies, then invited Venizelos to take over the Government before the convening of the Constituent Assembly early in January.

Parliamentary Government was restored on Jan. 2, 1924, when Colonel Plastiras surrendered the powers of the Revolutionary Committee to the newly convened Constituent Assembly. Venizelos, returning on Jan. 4, declined to form a Ministry, but accepted the Presidency of the Assembly, in which post

he would be better able to carry on a program of conciliation. But the failure of Liberal leaders to form a Ministry compelled Venizelos to assume the task.

VENIZELOS FOR A REPUBLIC

Venizelos's attitude toward the question of monarchy versus republic had been somewhat ill-defined, but all doubts were dispelled when, on Jan. 23, he told the Assembly that the Greek people had ceased to believe in the need for a dynasty, and that there was no foreign obstacle to a republic. Venizelos's position was considerably strengthened by the recognition, by the United States, of the Greek Government, on Jan. 30, but five days later, pleading ill-health, he resigned the Premiership, and was succeeded by Kafandaris. The question of monarchy and republic was thoroughly argued for another month, and on March 8 the Kafandaris Cabinet resigned when the Commanding General of the First Army declared his officers were in favor of a republic. Two days later, Venizelos, declaring he had been mistaken in thinking he could serve Greece, left for France. M. Papanastasion became Premier and, without waiting for the plebiscite, the name of the Greek State was changed on March 16 from the "Kingdom of Hellas" to the "Hellenic State." The fiction of monarchy which had been permitted to remain was dropped and on March 25 the Constituent Assembly deposed King George and declared Greece a republic, subject to the plebiscite, to be held on April 13.

The future is most uncertain. It is doubtful if the Republicans will permit the return of King George and it is also doubtful if the Greek people will accept for long a republican régime that is forced upon them. Perhaps a way out will be found in maintaining the monarchist régime with another dynasty on the throne.

On the administrative side, the history of the military dictatorship is much more encouraging. Probably no Government in modern times has had to face so difficult a situation as that before

the Revolutionary Committee when it assumed power. A totally demoralized army of 200,000 men had to be demobilized and a new army organized to take its place. More than 1,000,000 refugees, a number equal to one-fifth of the population of Greece, the greater part of whom were absolutely destitute, had to be provided for. Peace had to be made with the victorious enemy. An agrarian problem of large dimensions required immediate solution. Money had to be found for all the extraordinary expenditures that are associated with a period of reconstruction and there was no hope of a foreign loan.

There is no doubt that the Revolutionary Committee met these problems more successfully than a political régime could have done. It was able to take immediate decisions and execute them at once, where a political régime would have had to argue and lobby for long periods.

The Revolutionary Committee demobilized the old army without a single disorderly outbreak, a really remarkable achievement. Its success in building up a new army and in winning favorable peace terms have already been mentioned. With the aid of the American Red Cross it was able to provide for the refugees during the first terrible months after the evacuation of Asia Minor and since then the Department of Colonization has done remarkable work in establishing the refugees in self-supporting communities. The agrarian problem is well on its way to solution as a result of the agricultural bank and land law decreed by the committee. This provides for the expropriation of all the great plantations of Thessaly and Macedonia. The small cultivators acquire the land on easy terms and the owners are reimbursed with long-term bonds. To raise the large sums necessary for its program, the committee raised taxes that no political régime would have even considered. It levied a capital tax that for large fortunes amounted to 20 per cent. of the whole. As a result of its financial program the exchange value of the drachma doubled.

REPORT OF THE REPARATION EXPERTS—*Unanimous Agreement* on the Sums that Germany Can Pay

THE experts under the chairmanship of General Charles G. Dawes, who for three months have been engaged in the task of ascertaining Germany's capacity to pay reparations, submitted their report to the Reparation Commission on April 9, 1924. The full text of the document appears below.

The experts find that Germany is able to pay reparations without onerous obligations. They recommend an increasing scale of payments, beginning at 1,000,000,000 gold marks the first year, and increasing to a minimum normal annual charge within four years to 2,500,000,000 gold marks, which sum thereafter is subject to variations based on German prosperity.

A foreign loan of 800,000,000 gold marks is recommended immediately.

The reparation payments are to be derived from taxes, railways and industrial undertakings, which are to be mortgaged to secure the payments.

A bank of issue is to be established for the stabilization of German currency.

France and Belgium are to relinquish economic control of the German territory now occupied. Though they are not called upon to withdraw the troops, it is clearly indicated in the report that Germany must have full liberty of economic action without outside interference.

The costs of the armies of occupation and credits for deliveries of chemicals, coal, coke and so forth to the Allies shall be a credit against the total annual cash payments.

A special issue of 11,000,000,000 gold marks of German railroad bonds and an issue of 5,000,000,000 gold marks of German industrial debentures, which are expected to provide more than one-third of the annual payments, are to be delivered to the Reparation Commission, to be floated in the world markets. Defaults in

respect to these bonds are to be covered by the German Government.

The committee of which former Chancellor of the British Exchequer Reginald McKenna was Chairman, appointed to investigate the flight of German capital abroad, estimate that 6,750,000,000 gold marks have left the country. They also report that the total foreign money invested in German marks which was entirely lost practically equals the total sum of reparations cash payments made by Germany to date.

The experts' report was favorably received in all the allied and neutral countries, and not altogether unfavorably in Germany, the chief objection there being due to the failure of the experts to fix the total sum Germany is to pay. The experts explained that this was not their duty, as it was a question to be decided by the Reparation Commission.

TEXT OF THE REPORT

GENERAL DAWES'S LETTER.

To the President of the Reparation Commission:

Your committee has unanimously adopted a report upon the means for balancing the German budget and the measures to be taken to stabilize its currency, which I now have the honor to submit.

Deeply impressed by a sense of its responsibility to your commission and to the universal conscience, the committee bases its plan upon those principles of justice, fairness and mutual interest in the supremacy of which not only the creditors of Germany and Germany itself but the world also have a vital and enduring concern.

With these principles fixed and accepted in that common good faith which is the foundation of all business and the best safeguard for universal peace, the committee's recommendations must be considered not as inflicting penalties but as suggesting means for assisting the economic recovery of all European peoples and the entry upon a new period of happiness and prosperity unmenaced by war.

Since, as a result of the war, the creditors of Germany are paying taxes to the limit of their capacity, so also must Germany be encouraged to pay taxes from year to year to the limit of her capacity. This is in accord with the just and underlying principle of the Treaty of Versailles, reaffirmed by Germany in its note of May 29, 1919, that the German scheme of taxation must be "fully as heavy proportionately as

that of any of the powers represented on the commission." More than this limit could not be expected, and less than this would relieve Germany from the common hardship and give to her an unfair advantage in the industrial competition of the future. The plan of the committee embodies this principle.

The plan has been to include flexible adjustments which from the very beginning tend to produce a maximum of contributions consistent with the continued and increasing productivity of Germany; the conservative estimates of payments to be made in the near future are dictated by business prudence in outlining the basis of a loan and should not destroy the perspective as to the effects to be registered in the aggregate of eventual payments which will annually increase.

With normal economic conditions and with productivity restored in Germany, the most hopeful estimates of the amounts receivable are justified. Without such restoration, such payments as may be obtained will be of little value in meeting urgent needs of creditor nations.

To insure the permanence of the new economic peace between the allied Governments and Germany, which involves the economic adjustments presented by the plan, there are provided the counterparts of those usual economic precautions against demoralization which are recognized as essential in all business relations involving express obligations.

The existence of safeguards in no way hampers or embarrasses the case of ordinary business contracts. The thorough effectiveness of these safeguards should not embarrass the normal economic functioning of Germany and is of fundamental importance to Germany and her creditors.

Great care has been taken in fixing the conditions of the supervision over Germany's internal organization so as to impose a minimum of interference consistent with proper protection. The plan submitted is fair and reasonable in its nature and, if accepted, is likely to lead to ultimate and lasting peace. The rejection of these proposals by the German Government means the deliberate choice of a continuance of economic demoralization, eventually involving her people in hopeless misery.

In the preparation of this report the committee has carefully covered a broad field of investigation. It has had the constant cooperation of able staffs of experts in gathering information, digesting it and presenting it. The committee has conducted on the ground an examination of officials of the German Government and representatives of German labor, agriculture and industry. It has received from the German Government and its representatives voluminous and satisfactory answers in response to written inquiries.

In connection with various features of its report, both for the purpose of gathering information and for advice, the committee called to its assistance outside experts of international reputation. The published reports and statements of economists of world-wide standing have been in its hands. It has had also the benefit of the accumulated information heretofore gathered by the Reparation Commission.

In its work the full committee has held since Jan. 14, 1924, forty-eight meetings. The sub-committee on the stabilization of currency, composed of M. Parmentier, Sir R. M. Kindersley, M. Emile Franqui and Professor F. Flora, assisted by Henry M. Robinson, and under the chairmanship of Owen D. Young, has held sixty-eight meetings, and the sub-committee on balancing the German budget, composed of M. Alix, Baron Houtart and Dr. Perelli, under the chairmanship of Sir J. C. Stamp, has held sixty meetings. These sub-committees have also had the assistance of Andrew McFadyean, the General Secretary of the Reparation Commission. The time of the committee, outside of that consumed by its meetings, has been given largely to investigation and study.

In speaking of my colleagues and as bearing

upon the value of this report, I feel that I should make known to the Reparation Commission and to the world that their Governments have in no case limited their complete independence of judgment and action, either before or after their appointment by the Reparation Commission. Limited only by the powers granted by the commission, each of my colleagues has performed his work as a free agent; these men searching for truth and advice thereon were answerable only to their consciences.

In granting this freedom, the Governments have on the same lines followed the commission's spirit and intent in constituting the committee, but in so doing they have paid the highest tribute which Governments can bestow, namely, complete confidence in a time of crisis in human affairs. In their vision, in their independence of thought, and above all in their spirit of high and sincere purpose, which rises above the small things over which the small so often stumble, my colleagues have shown themselves worthy of this trust.

That their work, which I now place in the commission's hands, may assist in the discharge of the commission's great responsibilities is their prayer, and the knowledge hereafter that it has done so will be their full reward.

(Signed) CHARLES G. DAWES,
Chairman.

THE DAWES REPORT.

PART I.

We have approached our task as business men anxious to obtain effective results. We have been concerned with the technical, not the political, aspects of the problem presented to us. We have recognized, indeed, that political considerations necessarily set certain limits within which the solution must be found if it is to have any chance of acceptance. To this extent, and this extent only, we have borne them in mind.

The dominating feature of the German budget is Germany's obligation to the Allies under the Treaty of Versailles. We have been concerned with the practical means of recovering this debt, not with the imposition of penalties, and the guarantees which we propose are economic, not political. At the same time, it is no ordinary debt with which we deal, for Germany suffered inappreciable damage to her territory and her material equipment, and her primary moral obligation is toward those who have suffered so severely through the war.

As regards past history, it has not seemed necessary to establish the causes, nor the responsibility for those causes, which have operated to produce the present state of German finances and currency, except in so far as recognition of their character is required for the prescription of remedies.

Finally convinced, as we are, that it is hopeless to build any constructive scheme unless this finds its own guarantee in the fact that it is to the interest of all parties to carry it out in good faith, we put forward our plan, relying upon this interest. We hope the character of our plan will itself assist in securing this guarantee, which is essential for its execution; but in the main, of course, it must be for others to take such measures as are necessary to maintain and assure it.

German Economic Unity.

The committee has had to consider to what extent the balancing of the budget and stabilization of the currency could be re-established permanently in Germany as she actually is at the present moment, with limitations as to her fiscal and economic rights over a part of her area.

We should say at the outset we have been unable to find any practical means for insuring permanent stability in the budget of currency under these conditions, and we think it unlikely that such means exist.

The solution of the double problem submitted to us implies, indeed, restoration of Germany's credit, both externally and internally, and it

has appeared to us impossible to provide for this restoration under the conditions mentioned. We have therefore been compelled to make the assumption that the fiscal and economic unity of the Reich will be restored. Our whole report is based on this hypothesis.

Military Aspects.

If political guarantees and penalties intended to insure execution of the plan proposed are considered desirable, they fall outside the committee's jurisdiction. Questions of military occupation also are not within our terms of reference. It is, however, our duty to point out clearly that our forecasts are based on the assumption that economic activity will be unhampered and unaffected by any foreign organization other than the controls herein provided. Consequently, our plan is based upon the assumption that existing measures, in so far as they hamper that activity, will be withdrawn or sufficiently modified so soon as Germany has put into execution the plan recommended, and that they will not be reimposed except in case of flagrant failure to fulfill the conditions accepted by common agreement. In case of such a failure, it is plainly for the creditor Governments, acting with the conscientiousness of joint trusteeship of the financial interests of themselves and of others who will have advanced money upon lines of the plan, then to determine the nature of the sanctions to be applied and the method of their rapid and effective application.

In saying this we wish to add at once that if the economic system now in operation in the occupied territory is modified, we are unanimously of the opinion that the settlement of reparation must be reinforced by adequate productive securities. We propose for this purpose a system of control which we believe will be effective and at the same time such as not to impede the return to financial stability. (See XIV. below.)

The Committee's Task.

As the terms of reference indicate, two principal problems were submitted to us for the inquiry—stabilization of German currency and balancing the German budget. It is self evident these problems are interdependent. Currency of a country cannot remain stable unless the budget normally is balanced, for if expenditure continually exceeds receipts, there will in time be no alternative to printing new notes to meet the excess, and inflation inevitably involves depreciation. On the other hand, the task of balancing a budget unless the currency is relatively stable is an impossible one, for a falling currency makes calculations both of receipts and expenses unreliable, and in particular causes a continual loss to the taxing authority through the necessary interval of time between assessment and collection.

While therefore in the nature of things it is necessary the two problems should in the first instance be studied separately, their interdependence must consistently be borne in mind. In examining each separately we assumed for the moment that the other has been solved without ever losing sight of the fact that stabilization of the currency and balancing the budget are means designed to enable Germany to satisfy her own essential requirements and meet her treaty commitments, the fulfillment of which is so vital to the reconstruction of Western Europe.

It must not be forgotten that the performance of these commitments is of vital importance not only for the countries having a claim on Germany but also for Germany herself. It is, indeed, clear that Germany, whose economy had again become flourishing, could not long resist a financial and economic crisis in the nations surrounding her. In order that the restoration of Germany may be definitive, other nations must also return to conditions requisite for their financial and economic existence and must likewise be enabled to carry on the normal exchange of goods which the general prosperity depends.

Economic Potentialities.

The task would be hopeless if the present situation in Germany accurately reflected her potential capacity. Proceeds from Germany's national production could not in that case enable her both to meet her national needs and insure payment of her foreign debts.

But Germany's growing and industrious population, her great technical skill, the wealth of her material resources, the development of her agriculture on progressive lines, her eminence in industrial science—all these factors enable us to be hopeful with regard to her future production. Further, since 1919 the country has been improving its plant equipment. Experts specially appointed to examine the railways have shown in their report that expense has not been spared in improving the German railway system. Telephone and telegraph communications have been assured with the help of the most modern appliances. Harbors and canals have likewise been developed. Lastly, the industrialists have been enabled further to increase the entirely modern plants which now are adapted in many industries to produce a greater output than before the war. Germany therefore is well equipped with the resources she possesses and the means of exploiting them on a large scale. When the present credit shortage has been overcome she will be able to resume a favored position of activity in a world where normal conditions of exchange gradually are being restored.

Without undue optimism it may be anticipated that Germany's production will enable her to satisfy her own requirements and to raise the amounts contemplated in this plan for reparation obligations. The restoration of her financial situation and her currency, as well as the world's return to a sound economic position, seems to us the essential but adequate conditions for obtaining this result.

Stability of Currency—Bank Issue.

We propose to deal in the first place with the currency problem. The present financial and currency position of Germany is stated in Part II. It will be seen that by means of the rentenmark stability has been attained for a few months, but on a basis which in the absence of other measures can only be temporary. The committee proposes the establishment of a new bank of issue in Germany or, alternatively, a reorganization of the Reichsbank as an essential agency for creating in Germany a unified and stable currency. Such a currency, the committee believes, is necessary for the rehabilitation of Germany's finances, balancing of her budget and restoration of her foreign credit.

The principal features of the bank plan, which is printed in Annex I., are as follows:

The bank is to have the exclusive right, with certain minor qualifications, to issue paper money in Germany for the period of its charter, fifty years. All of the many kinds of paper money now circulating in Germany, except the limited note issues of certain State banks, are to be gradually withdrawn from circulation, giving place to a single uniform paper currency, the bank notes of the new bank. These bank notes will be protected by a normal legal reserve of 33 1-3 per cent. and by other liquid assets. The reserve will be held largely in the form of deposits in foreign banks.

The plan contemplates that as a permanent policy the notes of the bank shall be redeemable in gold, but the committee is of the opinion that at the time of the inception of the bank the situation will temporarily not allow of the application of the rule of convertibility. It therefore suggests that a currency should be created which will be kept stable in relation to gold and, as soon as conditions permit, be placed on a convertible basis, like the present Reichsbank. The new bank will serve as a bankers' bank, rediscounting the safest category of short-term bills, &c., so establishing an official rate of discount. It will also handle for other banks the Giro system for the transfer of bank credits. The bank will deal with the public, making

short-time commercial loans and discounts, effecting transfers and receiving deposits. It will be the depository and fiscal agent of the German Government. It may make short-term loans to the Government, but the amount and character of these loans are strictly limited, and granting such loans is carefully safeguarded.

The German Government is to participate in the profits of the bank, but the bank is to be entirely free from governmental control or interference. Treaty funds collected in Germany are all to be deposited in the new bank to the credit of a special account and are only to be withdrawable by the creditor nations under conditions and safeguards which will adequately protect the German exchange market and interests of the creditor nations and German economy.

The new bank will have a capital of 400,000,000 gold marks, part to be subscribed in Germany and part abroad. It is to be administered by a German President and a German managing board, which can have assistance, as in the case of the Reichsbank, of a consultative committee.

Alongside this German managing board there is to be another board, called the General Board, which will consist of seven Germans and seven foreigners, one each of the following nationalities: British, French, Italian, Belgian, American, Dutch and Swiss. The General Board is given broad powers in such matters of bank organization and operation as might affect the interests of creditor nations.

One of the foreign members of the General Board will be known as the Commissioner. He will be responsible for seeing there is no infringement of the provisions relative to the issuance of notes and maintenance of the bank's reserves. Decisions of the General Board will require a majority vote of ten of the fourteen members, unless both the President and Commissioner are included in the majority, in which case a simple majority will be sufficient. Thus co-operation by members of both groups is necessary for action.

It has been suggested in various quarters that to insure the bank's independence of the Government an issue department, which could be under the direction of the Commissioner and which would be responsible for the reserve and for issue of notes, should be established abroad. Such a guarantee is political rather than technical in character, and to propose it is outside the jurisdiction of the committee.

A study of the annex is essential to a thorough comprehension of the committee's recommendations, and it has contented itself with drawing attention here to the main features to which it attaches importance.

Still assuming for the moment that the budget problem has been successfully surmounted, we believe that the recommendations furnish a practical method not only of stabilizing German exchange but of securing to German economy those credits in stable value which are essential for its reinvigoration and the payment of reparation. Labor also will benefit, for its interests above all are dependent upon stability. Some classes of the community may have compensations in the amazing overturn of fortunes which inflation brings. Some benefit, others suffer, but for the working classes instability is wholly an evil. It has no compensations whatever.

In this connection we may refer to the views expressed by the representative of labor who appeared before us in Berlin. Speaking not for the whole of the German people, but merely for the class which he represented, Herr Grasseman stated that "the German working classes could not stand another period of inflation. They must appeal to the world for a stable currency which would render it possible for them to buy something with wages, even four weeks after they received them." It is clear that if statutes of the bank are strictly observed there can be little danger of future inflation.

One of the advantages to be expected is that foreign currencies immobilized in Germany which at present are economically sterile will be mobilized in the form of subscriptions or deposits to the bank and return to economic uses.

The Budget and Temporary Relief.

Attention may now be directed to the other main aspect of our problem, the balancing of the budget, and we propose to deal, first, with the general budget of the Reich and, secondly and separately, with the railways, which at present are contributing nothing to the general budget.

In addition to a stable currency and economic unity defined above, the budget requires certain relief from immediate charges for treaty purposes, which while securing the budgetary position will not imply cessation of payments indispensable to the Allies in the form of deliveries in kind.

BASIC PRINCIPLES.

(A) Treaty Obligations and Budgets.

It will be obvious that balancing the budget is, like stabilization of the currency, of little value unless it can be maintained.

It is not enough to be satisfied that one or several budgets will be balanced; it is necessary to consider under what conditions, assuming a sound administration, financial as well as currency stability can be continuously insured, or, rather, under what conditions such stability, once gained, is likely to be endangered.

It is inevitable, therefore, that we should look forward, not, indeed, in the same detail but with proper regard to the chief determining factors, to those later years during which Germany will have gradually to liquidate her external treaty obligations.

We repudiate, of course, the view that Germany's full domestic demands constitute a first charge on her resources and that what is available for her treaty obligations is merely the surplus revenue that she may be willing to realize, but at the same time, if the prior obligation for reparation that is fixed for Germany to pay, together with an irreducible minimum for her own domestic expenditure, make up in a given year a sum beyond her taxable capacity, then budget instability at once ensues and currency stability is also probably involved. In that event an adjustment of treaty obligations of years is obviously the only course possible. The amount that can safely be fixed for reparation purposes tends, therefore, to be the difference between the maximum revenue and the minimum expenditure for Germany's own needs. We shall naturally and inevitably be led to discuss later the amount of reparation payments which can be made out of the budget resources and the method by which they can be effected if the postulates of stable currency and of balanced budget are accepted. It would be to ignore both the plain dictates of justice and practical conditions which must determine acceptance or rejection of our proposals and the context and obvious purpose of our terms of reference if we approached our task from any other angle. It might, indeed, be thought that if we have thus been involved in consideration of reparation payments, it is only of such payments as are to be made during the reconstruction period of the next few years. Our task, it may be said, is to advise as to the way to attain stabilization and a balanced budget, not as to sums to be demanded from Germany when that aim has been achieved, but no such sharp division period is possible for the following reasons:

Firstly, the basis on which the budget is balanced at the end of the reconstruction period and the sum it includes for reparation must obviously determine to a large extent the sums payable in the following years; otherwise, as we have said, an equilibrium though once attained might rapidly be lost and the effort would have been in vain. The same problem again presents itself.

Secondly, more important still is the fact that the success of our proposals to attain financial stabilization depends essentially upon the return of confidence. Without this, the return of German capital invested abroad, the attraction of foreign capital for purposes mentioned in the scheme and foreign credits for the current

conduct of business, and even the proper collection of taxes, will alike be impossible. Such confidence cannot be attained unless a settlement is now made which both Germany and the outside world believe will give assurance that for a considerable period neither its finances nor its foreign relations will be endangered by renewed disputes. Such assurance, as we shall see, does not mean making the charge on Germany a uniform one over a period of years, nor even deciding beforehand what the charge shall be in each of these years, but it does mean settling beforehand the method by which increases shall be determined.

When we speak of the adoption of such a method for a considerable period, we are thinking primarily of the period which lenders, the investors whose money is required as part of our scheme, will have in mind. As we shall see, our scheme needs both foreign and internal subscription to the bank of issue and in particular an external loan as an essential condition enabling and assuring reparation payments. We fully recognize both the necessity and justice of maintaining the principle embodied in the treaty that Germany's payments should increase with what may prove to be the increase of her future capacity. We also recognize that the estimate now made once for all might well underestimate this and that it is both just and practicable that the Allies should share any increased prosperity. All that we regard as essential as a condition of stabilization is that any such increased demands, to correspond with increasing capacity, should be determined by a method which is clearly defined in the original settlement and which is capable of automatic, or at least professional, impartial and practically indisputable application.

This requirement we have tried to meet, as will be seen, by providing that in addition to a fixed annual payment there shall be a variable addition dependent upon a composite index figure designed to reflect Germany's increasing capacity. It is outside the competence of the committee to establish the limit of years or of the amount of the working of the index, nor is it within their competence to fix the number of annuities which Germany will have to pay, as this would practically mean fixation of a new German capital debt. If, as is to be hoped, new arrangements were made for an early and definite settlement of the various international financial obligations arising out of the war, it would be easy as regards the German debt to apply our plan to those new conditions.

Commensurate Taxation.

We have done our utmost to apply the principle of commensurate taxation.

It is not open to dispute as a simple principle of justice, and it is contemplated by the treaty that the German people should be placed under a burden of taxation at least as heavy as that borne by the people of the allied countries. No single person in Germany, whether speaking as an individual or representing any section of the nation, has failed to accept that principle when it has been squarely put to him. Any limitation upon it, if there is one, must be a limitation of practicability and general economy expediency in the interest of the Allies themselves. Obviously it is morally sound, and it would be clearly repugnant to all sense of natural justice that the taxpayers of the countries with large important regions devastated by the war should bear the burden of restoring them while the taxpayers of Germany, on whose territory the war caused no comparable devastation, escape with a lighter burden.

The principle is at the same time economically just, for it is obviously unfair and in every way undesirable that the allied taxpayer should be penalized by the fact either that taxes resulting from the war weigh more heavily upon him as a consumer or that in competition in his business he should be handicapped by greater burdens on costs of production, including wages, than his German competitor bears.

We have borne in mind both the importance of the virtual extinction of the debt in Ger-

many and the general burden of taxation in allied countries. As we indicate more fully in Part II., there are many difficulties in theory and practice, but in spite of them we have done our utmost to secure that the proposals we make should involve "commensurate burden" in the fairest interpretation and application of that principle which is practicable. We are satisfied that in what we propose we are not imposing a heavier burden. We are also satisfied that we have applied the principle as far as it is practicable in the interests no less of the Allies than Germany.

An index of prosperity is necessary to enable the Allies to share in the increased prosperity of Germany. After a short period of recovery we believe the financial and economic situation of Germany will have returned to a normal state, after which time the index will begin to operate. The system of a variable annuity has the sanction of usage in the schedule of payments, but we venture to suggest for most careful consideration the advisability of altering the existing index constituted by the value of exports. This index appears to us to be imperfect. We are aware there are cogent reasons both for and against any test which may be suggested and we do not propose to examine them in detail. We are of the opinion that the undoubted shortcomings of particular indices are neutralized to a large extent if a composite index is chosen, and we have reasonable assurance that a fair measure of Germany's increasing prosperity will be obtained. Our suggestions, after considering many various alternatives for such an index, are given in Annex II. We take upon ourselves to recommend these suggestions as an indication to the attention of the Reparation Commission.

We are of the opinion that at least during the period within which the loan which we propose is being amortized, the annual charge upon Germany should not be heavier than that which would result from the application of this index, nor would the committee accept any responsibility for balancing the budget even in later years if heavier payments than the above were called for. We propose that the average of the years, chiefly, 1926, 1927, 1928 and 1929, should be taken as a base, that the percentage of increase shown by each of the six sets of representative statistics—railway traffic, population, foreign trade, consumption of tobacco, &c., budget expenditure, consumption of coal—should be ascertained and the average of these six percentages should be taken as indicating the proportionate increase to be added to the treaty sums demanded in the given future work. Under this system Germany will retain an incentive to develop as it retains the major part of the advantage of any increase of prosperity while the Allies obtain a reasonable share. This increase avoids the risk of losing through a premature estimate of future capacity, at the same time the adoption of a method involving no discretionary but automatic application gives the necessary assurance from the commencement both to Germany and the world that the treaty demands will not, in the period to which the settlement relates, be again subject to negotiation or dispute.

We propose, however, one further correcting factor of quite a different character, which is only a precautionary measure and may never actually be invoked. The treaty prescribes Germany's obligations in terms of gold, and for convenience we have expressed our estimate in the same terms, but both the burden on Germany and the advantage to the Allies of treaty payments consist of goods and services. Gold is only a measure of value, and over a long period of years may be an uncertain and defective one. It is only in case of really important changes that any action is necessary, and we therefore propose that a reduction or increase of the figures, both as regards the standard and the supplementary payments, should be made automatically in correspondence with changes in

the general purchasing power of gold whenever by the decision of an impartial authority such changes amount to more than 10 per cent.

Capacities for Payment.

There has been a tendency in the past to confuse two distinct though related questions, viz.: First, the amount of revenue Germany can raise available for the reparation account, and, second, the amount which can be transferred to foreign countries. The funds raised and transferred to the Allies on the reparation account cannot in the long run exceed the sums which the balance of payments makes it possible to transfer without currency and budget instability ensuing. But it is quite obvious that the amount of the budget surplus which can be raised by taxation is not limited by the entirely distinct question of conditions of external transfer. We propose to distinguish sharply between the two problems, and first deal with the problem of the maximum budget surplus and afterward with the problem of payment to the Allies. In the past the varying conclusions formed as to Germany's capacity have often depended upon which of these two methods has been chosen.

As a first method of approach, the budgetary criterion has obvious advantages and attractions. Reparation must first be provided for as an item in the budget. The budget itself is the sum of decisions taken by a single authority. It is capable of expert judgment and within narrower limits of error of calculation and analysis. The treaty itself, moreover, consecrates the principle of "commensurate taxation."

By comparison, a country's economic balance defies exact calculation. The balance even at a given moment can only be estimated approximately, for invisible exports and imports, which constitute an important part of it, cannot be known exactly, and a potential economic balance is much more uncertain. It depends not on decisions of a single authority but on the enterprise of individual merchants and manufacturers. The reparation demands themselves will increase it. The extent to which economic adaptation is possible over a long period of years under pressure of external obligations is a matter of conjecture. An existing economic balance before such obligations have been in operation long enough to have their effect on the economy of the country gives a very uncertain criterion. The economic balance is therefore, by comparison with the budget, incapable of close calculation, "unmanageable" and too elastic, but the limits set by the economic balance, if impossible of exact determination, are real.

For the stability of a country's currency to be permanently maintained, not only must her budget be balanced, but her earnings from abroad must be equal to the payments she must make abroad, including not only payments for goods she imports but sums paid in reparation. Nor can the balance of the budget itself be permanently maintained except on the same conditions. Loan operations may disguise the position or postpone its practical results, but they cannot alter it. If reparation can and must be provided by means of inclusion of an item in the budget, viz., by collection of taxes in excess of internal expenditure, it can only be paid abroad by means of an economic surplus in the country's activities.

We have, it will be seen, attempted to give effect to both these sets of considerations by a method we believe to be both logical and practical.

We estimate the amount which we think Germany can pay in gold marks by consideration of her budget possibilities, but we propose safeguards against such transfers of these mark payments into foreign exchange as would destroy stabilization and thereby endanger future reparation by comparison with the system under which reduced sums are considered possible on budget grounds because of considerations based upon estimates of possible economic balance.

This has the following advantages: (a) It enables maximum sums to be obtained and paid

to the Allies' account. (b) Any limitation upon transfers into foreign currencies will depend upon the exact economic position as it develops in fact and not upon a necessarily problematical estimate of it, and the limitation will only apply so far as actually proved necessary. (c) Even so far as the sums paid in reparation cannot be completely transferred they can under certain conditions be used by the Allies for internal investment in Germany. Above all, we recommend our proposal for these reasons: It adjusts itself automatically to realities. The burden which should rest upon the German taxpayer should in justice so obviously be commensurate with that borne by the allied taxpayer that in our view nothing but the most compelling and proved necessity should operate to make it lighter.

It would be both speculative and unjust to attempt to forecast the possibilities of the future exchange position and to determine Germany's burden in advance with reference to the problematical estimate of it. Experience, and experience alone, can show what transfer into foreign currencies can in practice be made. Our system provides in the meantime for a proper charge upon the German taxpayer and a corresponding deposit of gold marks to the Allies' account and then secures the maximum conversion of these mark deposits into foreign currencies which the actual capacity of the exchange position at any given time renders possible.

How Germany Should Pay.

With these principles in mind we recommend Germany should make payment from the following sources: (a) from her ordinary budget, (b) from railway bonds and transport tax; (c) from industrial debentures.

We proceed to consider each of these in turn:

A provision from the budget for treaty payments—budget equilibrium.

To recommend what payments Germany can make from the ordinary budget and from what dates is in effect to answer the first of two specific questions put to us, viz., how to balance the German budget. For in our view if the economic and fiscal unity of the Reich is restored, if a stable currency is established and if the budget is given temporary relief from treaty payments, Germany should balance her budget from her own resources by vigorous internal effort, supported by the confidence which a general stable settlement may be expected to give, and she should thereafter be able to maintain it in equilibrium if the future charge for treaty payments is determined by a method which assures she will not exceed her capacity.

In other words, we do not consider that an external loan is needed, as in the case of Austria and Hungary, to be devoted specifically to meeting ordinary deficits during the transition period. External money is indeed an essential part of our scheme, in part for establishment of the new bank of issue, in part to prevent interruption of deliveries in kind during the transition period and essentially to create confidence upon which the whole success of the scheme depends. But we do not propose it should be confined or devoted specially to meeting deficits on ordinary expenditure even during the transition period. On the contrary, as will be seen, we think that from the beginning internal resources should meet internal ordinary expenditure and at a very early date should suffice in addition to make substantial contributions toward the external debt. The present budget position is described in some detail in Part II., which includes our criticisms of the recommendations as to measures we think practicable for economizing in expenditure and increasing taxation. We confine ourselves here to our conclusions as to provision that can be made for meeting treaty payments, firstly the 1921-25 budget.

In the first year, 1924-25, we consider that the ordinary budget will balance. Even if there is a deficit we are confident it should not be such as to endanger stability of the currency and that at worst the Government can meet it by orthodox expedients—increases of existing taxation, further emergency taxes and internal

loans. Even if energetic measures are taken to obviate any deficit in 1924-25, we are satisfied that neither by reduction of expenditure nor by increase in receipts can Germany be expected to provide out of budget resources for any peace treaty payments to the Allies and that any demand for their payment would imperil both the structure of the budget and the stability of the currency. How relief can otherwise be provided for reparation creditors will be considered separately.

The fundamental importance of the effect upon the stability of the Reich budget of finances of the States of Prussia, Bavaria, &c., and of communes has greatly exercised us and we have stated our views on the system of subsidies and local expenditure in Part II.

Secondly, the 1925-26 budget. On passing to the budget for 1925-26 it is obvious existing data are insufficient for precise judgment on its detailed prospects. Certain general conclusions are, however, possible. On the revenue side the lapse of a whole year of currency stability and readjustment should of itself increase receipts. The period of recuperation will not have been long enough completely to restore the yield of the income tax, but there will at least be gold mark profits of 1924-25 on which to frame a reasonable assessment. Consumption taxes should be directly affected by returning prosperity. On the expenditure side, it may be hoped with some degree of confidence that expenditure on unemployment will exhibit a notable decrease. The expenditure on the army is capable of reduction. An automatic decrease will make itself felt in the pension charge. It is not to be expected, on the other hand, that sums thus saved on these or other heads will represent a net benefit to the budget in particular, and this remark applies also to the budgets of the immediately succeeding years. Increase in the salary charges of Reich which can probably not be entirely offset by decreases in personnel must be anticipated.

Some increase of expenditure must therefore be expected. On the balance, however, we are of opinion that the growth in receipts should be more than sufficient to counterbalance any increase in expenditure. Whatever views may be held about the eventual outcome of the 1924-25 budget we are clear that the second year should show a substantial improvement upon it. The result of the first year, therefore, affects our view as to whether the result of the following year will be actually an appreciable surplus. If it should prove that the 1924-25 budget cannot be balanced by taxation alone, the improvement to be expected the following year might not be more than sufficient to secure the balance desired, if, on the other hand, no loans were necessary in 1924-25, any improvement in the following year would be net surplus entirely available for meeting peace treaty charges. We are clearly of the view that, if the two years are taken together, receipts should be sufficient to cover the ordinary expenditure and we do not exclude the possibility of a small surplus. On the other hand it cannot be stated with certainty that the inclusion of a compulsory liability for the peace treaty charges will not destroy the whole balance, and it is obviously vital that the mistake should not be made of fixing as first payment during the recovery a sum which the circumstances may not justify. Stability of future reparation payments and German credit in general might thus be endangered.

There is another factor that must be taken into account for successful operation of the scheme for dealing with the railways, to which we shall refer later. It is necessary that the proceeds of the transport tax to the extent 250,000,000 gold marks per annum should be withdrawn from the revenue side of the budget and devoted to payment of treaty charges. On the other hand, that scheme also provides for the sale by the railway company of preference shares to the nominal value of 2,000,000,000 gold marks, one-quarter of the proceeds accruing to

the profit of the German budget, and the balance providing for past and future capital expenditure of the railways.

For the successful execution of the railway scheme we attach great importance to the sale to the public of these preference shares, and we feel justified in assuming that before the end of the year 1925-26 the German Government will be in effective possession of 500,000,000 gold marks as a result of this transaction. The budget can, therefore, be reinforced to that extent, and after making allowance for withdrawal of 250,000,000 gold marks in respect of the transport tax there will be a balance of 250,000,000 gold marks which should be available for meeting peace treaty charges.

By the procedure we have indicated, any danger of hampering future stability by a premature call upon the ordinary resources of the German budget will be obviated and there will be an additional inducement to transfer the preference shares to private ownership. We therefore recommend that in the year 1925-26 Germany should be required to meet peace treaty charges out of her budget to the extent of 250,000,000 gold marks. If, contrary to our expectation, the budget fails to realize 500,000,000 gold marks from the sale of preference shares, we consider that any resultant deficit could be met by an internal loan. The proceeds of the transport tax should thenceforth not figure in the revenue side of the budget except to the extent to which they exceed 240,000,000 gold marks in 1925-26, and 290,000,000 gold marks in subsequent years. We once more reserve the question of providing for further reparation payments in other years.

The Budget of Later Years.

As we have said already, Germany's credit cannot rest upon the mere establishment of budget equilibrium. It must be clear that it can be permanently maintained. It is, therefore, necessary for us to consider what burden Germany can bear in the near future without danger to that equilibrium. In this connection certain assumptions have been made. It has been considered that if for two years the budget is relieved from peace treaty charges and a stable currency is re-established, Germany ought, in 1926, to be making rapid strides toward complete recovery and should in three years, by 1928, reach a normal economic condition. We have taken into account the probable yield of her several taxes and her taxable capacity as a whole and the probable changes in expenditure under these improving conditions, and after making full allowance for error we have reached definite conclusions as to the sums which can be fixed for peace treaty charges without endangering the stability of the budget. These results we have considered in relation to the maximum probable rate at which the national income can be expected to grow from its present point and the maximum proportion of that growth which can successfully be absorbed in taxation.

We draw the conclusion that, allowance being made for some inevitable growth in expenditure, the budgets for the three subsequent years can safely provide for the following maximum sums:

- 1926-27, 110,000,000 gold marks.
- 1927-28, 500,000,000 gold marks.
- 1928-29, 1,250,000,000 gold marks.

On the other hand, regard being had to the fact that it is difficult to estimate the recuperative power of Germany in 1926-27 and 1927-28, we would propose that these amounts should be regarded as subject to modification by a sum not exceeding 250,000,000 gold marks on the following plan: If the aggregate controlled revenues as defined in Section XIV. exceed 1,000,000,000 in 1926-27 or 1,250,000,000 in 1927-28 an addition shall be made to the above contributions equal to one-third of such excess. Conversely, if those aggregate revenues fall short of 1,000,000,000 in 1926-27 or 1,250,000,000 in 1927-28 the total contributions shall be dimin-

ished by an amount equal to one-third of the deficiency.

We believe that at the end of the fiscal year 1928-29 the financial and economic situation of Germany will have returned to a normal state and that, in this and subsequent years, the ordinary budget should support the inclusion of a sum of 1,250,000,000 gold marks.

The total sum therefore to be provided from the ordinary budget resources would be the standard payment of 1,200,000,000 plus the additional sum computed upon the index of prosperity as from the year 1929-30 onward.

We have considered carefully the question of the amount to which the index should be applied and, as we are desirous that in the earlier years of her recovery German progress shall not be unduly handicapped by a shortage of new capital, we think that it will be desirable to apply it to the purely budgetary contribution, 1,250,000,000 (or the half of the total standard payment) for the first five years of the application of the index, namely, 1929-30 to 1933-34. After that date, 1934-35, the index should apply on the full amount of the contribution, namely, 2,500,000,000 gold marks.

(B) Railways.

We have conducted, with the assistance of two eminent railway experts, a close examination of the situation of the German railways. The subject is an important one, for the railways have been operated since the armistice at a constantly increasing loss, which has involved heavy burdens upon the German budget. Most, if not all, railway systems have passed through a period of great difficulty since the war from causes which were largely beyond their control. It is clear, however, from a study of the report drawn up by the experts, which will be found in Annex 3, that the greatest difficulties were of the Germans' own making. The German railway administration cannot but plead guilty to two serious charges. In the first place, as is proved by the reduction which it is now possible to make, they have been enormously overstaffed, even when all account is taken of the introduction of an eight-hour day and of Peace Treaty charges justifying temporary disorganization.

In the second place, the administration has indulged in extravagant capital expenditure, for which the official excuse is that construction was largely undertaken to ward of unemployment.

It is only just to observe that the situation has now improved out of reorganization, though more remains to be done. The German Government has separated the railways from the ordinary administration and assimilated them in form so far as is possible to a business concern. Capital construction has been slackened and fares have, at any rate, been raised to a point where the railways are not only self-supporting, but can provide some profit.

These measures are, however, insufficient. The capital value of the railways is estimated by the experts on a conservative basis at 26,000,000,000. They are unencumbered with old debts, for their prior charges were extinguished by the depreciation of the mark, and these prior charges absorbed half the gross profits in the pre-war period, which amounted to approximately 1,000,000,000 gold marks, in spite of the fact that it was the custom to include in operating and maintenance charges large expenditures which might properly have been charged to capital account.

The railway experts are convinced, and we share their conviction, that under proper management, under unified control, and with a proper tariff policy the railways can without difficulty earn a fair return upon their present capital value. Nor need it be thought that this improvement in profits will be made at the expense of the German people by increasing their fares and the cost of all goods transported by rail. It can be substantially provided by the more economical administration of the railways themselves.

In saying this we have not in mind inadequate wages, but rather the elimination from operating

and maintenance charges of certain elements of waste and also expenditure more properly chargeable to capital account.

The railway experts arrived, however, with considerable reluctance at the conclusion that it would be useless to expect anything approaching the full measure of improvement which is possible so long as the railways remain in the control of the Government. The whole spirit of the Government's ownership in the past has been directed to running the railways primarily in the interests of German industry and only secondarily as a revenue-producing concern, and in their opinion a complete break with old traditions is essential.

We accept their conclusions and we recommend the conversion of the German railways into a joint stock company. It is not our intention thus to deprive Germany of the administration of her railways in favor of the Allies; on the contrary, our plan demands only a modest return on the capital cost, and so long as this return is forthcoming we do not anticipate any interference in the German management of the undertaking. We would add that if, as the German Government has itself proposed, the exploitation of the railways is divided into several systems this division should not affect detrimentally their financial unity. The details of our proposals will be found in Annex 4, and we will content ourselves with giving only a broad outline at this point.

The committee recommends that there should be paid from the German railways 11,000,000,000 gold marks to be represented by first mortgage bonds bearing 5 per cent. interest and 1 per cent. sinking fund per annum. The capital cost of the German railways computed on a gold mark basis is estimated by our experts at 26,000,000,000. The net earnings of these railways before the war, after liberal and indeed exaggerated charges to operating and maintenance, were as high as 1,000,000,000. The interest and sinking fund on these debentures represents less than 3 per cent. of the capital cost, which is a very modest charge on the capital investment compared with that required in many other countries of the world. Realizing that during the period of reorganization of the railways full interest and sinking fund charges should not be required, we think payments on account of interest should be as follows:

1924-25, 350,000,000 gold marks.

1925-26, 465,000,000 gold marks.

1926-27, 550,000,000 gold marks.

1927-28 and thereafter, 660,000,000 gold marks.

This is regarded as a normal year.

In addition to the 11,000,000,000 of bonds the new railway company is to have a capital of 2,000,000,000 of preference shares and the remainder of its capital cost, namely, 13,000,000,000, is to be represented by common stock. One and one-half milliards of preference shares are to be set aside in the treasury of the company for sale to private persons to provide funds for the payment of existing indebtedness and future capital expenditures. The proceeds of the sale of the other 500,000,000 of preference shares and all of the common shares are to go to the German Government.

The railways are to be managed by a board of eighteen directors, of whom nine will be chosen by the German Government and the private holders of preference shares, and the other nine will be named by the trustee of the bonds, five of whom may be German. It is therefore contemplated that the board will have fourteen German members. The Chairman of the board and the general manager of the railways will be German.

It is contemplated that the railway company will be free to conduct its business in such manner as it may think proper, provided always, however, that the German Government will have such control over its tariffs and service as may be necessary to prevent discrimination and to protect the public. Such Government control, however, is never to be exercised so as to impair the ability of the railway company to earn a fair and reasonable return on its capital cost. The Railway Commissioner rep-

resents the interests of the bondholders. His principal duty will be, in the absence of default in interest, to receive reports, statistical and financial returns, and generally to see that the interests of the bondholders are not menaced.

Industrial Debentures.

The committee has been impressed with the fairness and desirability of requiring as a contribution to reparation payments from German industry a sum of not less than 5,000,000,000 gold marks to be represented by first mortgage bonds bearing 5 per cent. interest and 1 per cent. sinking fund per annum. This amount of bonds is less than the total debt of industrial undertakings in Germany before the war. Such indebtedness has for the most part been discharged by nominal payments in depreciated currency or practically extinguished. In addition, the industrial concerns have profited in many ways through the depreciated currency, such as the long-delayed payment of taxes by subsidies granted and advances made by the German Government and by depreciation of emergency money which they have issued. On the other hand, it is incontestably true that there have also in many instances resulted losses through the depreciation of currency from the sale of output at fixed prices and in other ways.

It is unnecessary for the committee to make an estimate of the total amount of such profits and losses.

It is sufficient to say that the committee is satisfied that a burden of mortgage debt of the amount of 5,000,000,000 gold marks on the industries of Germany fairly apportioned, bearing a moderate rate of interest and payable on long maturity, does not create a burden greater than that which would have existed had there been no depreciation of currency. In fact the fairness of such proposal has been recognized by the German Government itself in a proposal submitted on June 7, 1923, to all the allied and associated Governments. This proposal was later confirmed by persons in high authority in the subsequent and present German Governments. The offer referred to above was of 10,000,000,000 gold marks covering business, industry, banking, trade, traffic and agriculture.

The request of the committee is for 5,000,000,000 only and it suggests the exemption of agriculture from the obligations of the mortgage.

We desire to make it clear that the committee in asking for mortgage bonds on industries does not recommend in any sense an unfair or discriminating burden against them and so we do recommend that equalization be properly and fairly made by the German Government for the benefit of its own budget. If in the opinion of the German Government a burden on other property should be imposed in order to equalize the burden of reparation payments on property other than industrial property we recommend that it be done in favor of the German budget either by a further valorization tax or by a specific lien or otherwise.

If this course be followed and a fair and accurate system of direct taxation be adopted the committee believes that all classes in Germany will be called upon to make their fair and reasonable contribution to peace treaty charges either through direct or indirect taxation.

Realizing the depletion of the liquid capital supply in Germany and that a period should be provided for its recuperation we recommend that the interest on the 5,000,000,000 of debentures above referred to be waived entirely during the first year, that the interest during the second year be $2\frac{1}{2}$ per cent., during the third year 5 per cent. and thereafter 5 per cent. plus 1 per cent. sinking fund. In the event of default in the payment of interest, sinking fund or principal on any of the said debentures, provision has been made for recovery from the German Government Revenues. The plan will be found in Annex 5.

Provision for Treaty Payments.

We are now in a position to summarize the full provision we contemplate for treaty payments:

Budget Moratorium—First year, from foreign loan and part interest (200,000,000) on railway bonds, total of 1,000,000,000 gold marks; second year, from interest on railway bonds (including 130,000,000 balance from first year) and interest on industrial debentures and budget contribution, including sale of railway shares, a total of 1,220,000,000 gold marks.

Transition Period—Third year, from interest on railway bonds and industrial debentures, from transport tax and from budget, a total of 1,200,000,000 gold marks, subject to contingent addition or reduction, not exceeding 250,000,000 gold marks. Fourth year, from interest on railway bonds and industrial debentures, from transport tax and from budget, a total of 1,750,000,000 gold marks, subject to contingent addition or reduction, not exceeding 250,000,000 gold marks.

Standard Year—Fifth year, from interest on railway bonds and industrial debentures from transport tax and from budget, a total of 2,500,000,000 gold marks.

The first year will begin to run from the date when the plan shall have been accepted and made effective. We must point out that the total figures indicated for each year must include the sums paid by the German budget, the railway company or the debtors on industrial debentures whoever may be the actual recipients of these sums, the Reparation Commission, the capitalists who purchase securities, or even the debtors themselves, if they have repurchased their bonds. These figures clearly do not include the proceeds from the sale of capital assets which may be effected by the creditor Governments.

As soon as the plan is put into execution, the Reparation Commission will be in possession of bonds for 16,000,000,000 marks, which may be sold to the extent to which the financial markets are capable of absorbing them. Subsequently bonds representing the transport tax and the contribution from the budget may be issued and will enable the Governments to realize the capital of their claims.

Inclusive Amounts.

The Inclusive Nature of the Payment—Before passing from this part of our report we desire to make it quite clear that the sums denoted above in our examination of the successive years comprise all amounts for which Germany may be liable to the allied and associated powers for the costs arising out of the war, including reparation restitution, all costs of all armies of occupation, clearing house operations to the extent of those balances which the Reparation Commission decides must legitimately remain a definite charge on the German Government, commissions of control and supervision, &c. Wherever in any part of this report or its annexes we refer to treaty payments, reparation amounts payable to the Allies, &c., we use these terms to include all charges payable by Germany to the allied and associated powers for these war costs. They include also special payments such as those due under Articles 58, 124 and 125 of the Treaty of Versailles.

The funds to be deposited in the special account in the bank are to be available for the foregoing purposes notwithstanding anything in this report which may be interpreted to the contrary, though in saying this we are not to be read as prejudicing questions of distribution or questions of priority between the various categories of charges. We venture to emphasize the fact that from the point of view from which we are called upon to regard the question these obligations of Germany are one, and that any addition to one category of charges can only be made at the expense of another. The committee has noted the important fact that Germany is not in a position to ascertain her liabilities out of the peace treaty, as demands are made upon her from time to time during the year which cannot be calculated beforehand.

It appears to us a matter of impossibility for any budget to be scientifically compiled and satisfactorily balanced under such an arrangement, and that therefore means should be found to bring this system to an end. The difficulty will be satisfactorily met if Germany's liabilities for any particular year are absolutely limited according to our plan and, as suggested above, made inclusive of all possible charges, whether in or outside Germany, including the costs of the administrative controls which are set up by our plan.

Deliveries in Kind.

We have given special attention to the question of deliveries in kind. In their financial effects deliveries in kind are not really distinguishable from cash payments and they cannot in the long run exceed the true surplus of German production over consumption available for export without either upsetting the exchange or rendering foreign loans necessary. Having made this clear, we have to remember that deliveries in kind are dealt with in the treaty; they are now an inevitable part of the economic conditions of several of the Allies and cannot be wholly removed without considerable dislocation; if the principle is not carried too far they may represent a stimulus to German productivity and therefore the creation of a greater export surplus; they may help in avoiding such surplus being absorbed by the prior action of private German investment abroad. In this connection the maintenance of the system of deliveries in kind if not carried too far may act in a manner to keep the transfer as large as possible and to give the Allies priority.

While, therefore, we recognize the necessity for the continuance of deliveries in kind, we think that unless they can be confined to natural products of Germany such as those specifically dealt with in the treaty (coal, coke, dyestuffs, &c.) and in the second place to exports which do not entail the previous importation into Germany of a large percentage of their value, they tend to be uneconomic in character.

In the first two years of the operation of the plan the available finance is so restricted that there will be an automatic limitation of deliveries, but in the later period the program must be carefully and periodically considered in advance by the Reparation Commission, in conjunction with the committee referred to in Section 13, if exchange difficulties are to be avoided. We refer below to the necessity of expending almost exclusively within Germany the sums available for treaty payments in 1924-25 and 1925-26.

In these circumstances the allied Governments will doubtless consider whether it is not advisable to continue the system whereby the costs of armies of occupation were a first charge upon the proceeds of deliveries in kind made to the Governments which maintain the armies. Where we have referred to payments for deliveries in kind in this report we have intended to include therein payments in Germany arising through the operation of the reparation recovery acts.

How Payments Are to Be Made.

All payments for the account of reparations (whether from interest and sinking fund on railways or industrial debentures, the transport tax or from the budget contribution) will be paid in gold marks or their equivalent in German currency into the bank of issue to the credit of the "agent for reparation payments." This payment is the definitive act of the German Government in meeting its financial obligation under the plan. It is easier to estimate the burden that Germany's economic and fiscal resources can bear than the amount of her wealth that can be safely transferred abroad, and it is the former and not the latter that has formed the first objective of the committee.

The use and withdrawal of the moneys so deposited will be controlled by a committee consisting of the agent for reparation payments (a coordinating official under the Reparation Commission whose position and duties are defined later in this report) and five persons skilled in

matters relating to foreign exchange and finance, representing five of the allied and associated powers. This committee will regulate the execution of the program for deliveries in kind and the payments under the reparation recovery act in such a manner as to prevent difficulties arising with the foreign exchange. They will also control the transfer of cash to the Allies by purchase of foreign exchange and generally so act as to secure the maximum transfers without bringing about instability of currency. Fuller details as to their functions will be found in Annex 6. If the payments by Germany on reparation account in the long run exceed the sums that can be thus transferred by deliveries or by purchase of foreign currencies, they will, of course, begin to accumulate in the bank.

Up to a certain point, in normal circumstances not exceeding two milliards, these accumulations will form part of the short money operations of the bank. Beyond this point the committee will find employment for such funds in bonds or loans in Germany under the conditions laid down in the annex; but for economic and political reasons an unlimited accumulation in this form is not contemplated. We recommend that a limit of five milliards be placed upon all funds accumulating in the hands of the reparation creditors in Germany. If this limit is reached the contributions from the budget are to be reduced below the standards set out in our plan, so that they are not in excess of the withdrawals from the account, and the accumulation is not further increased. In this contingency the payments by Germany out of the budget and the transport tax would be reduced until such time as the transfers to the Allies can be increased and the accumulation be reduced below the limit named.

We do not deny that this part of our proposal will present difficulties of a novel character, which can only be solved by experience. But what are the alternatives? In order that no difficulties with the exchange or stability can possibly arise, the sum payable for reparation may be definitely fixed at such a figure as is certain beyond all doubt to be within Germany's capacity to export in excess of her imports. In this case the attainment of such certainty would involve so low a figure as to be quite unacceptable to her creditors and unwarrantably favorable to Germany. On the other hand, the liability may be fixed without regard to that excess of exports at all, and the discharge of the liability left to uncontrolled events without any possible regard to exchange difficulties. That way lie future instability and disaster.

We are convinced that some kind of coordinated policy with continuous expert administration in regard to the exchange lies at the root of the reparation problem and is essential to any practicable scheme in obtaining the maximum sums from Germany for the benefit of the Allies which Paragraph 14 guarantees, in addition to railway and industrial bonds. It is plainly not enough to demonstrate the feasibility of raising the sums under consideration. It is desirable in the common interest that means should be devised for securing that the possible surplus is actually established. The greater the extent to which payment may be rendered automatic and a matter of habit and independent of the fluctuating political attitude toward reparation, the less will be the friction toward reparation, the less will be the real stability of the German budget. In the last resort the best security is the interest of the German Government and people to accept in good faith a burden which the world is satisfied to be within their capacity and to liquidate as speedily as possible a burden which is and should be onerous.

Creditors, however, are not usually satisfied with a moral security, and experience and the present condition of Germany's finances are such as to reinforce their natural desire for tangible and productive guarantees. These are no less vital in the interest of Germany herself, who will be relieved of a large part of her political troubles if the main source of political controversy is removed by a system which no longer makes the payment of reparation depend

upon a constant maintenance or renewal of governmental decisions. In particular it is vital in the interests of our scheme, which depends for its success on the assured belief of the whole world in the regular observance of a settlement once made. On the other hand, we do not hesitate to reject as undesirable for the purpose which all have in view, save in certain extreme events, any system which would involve, directly or indirectly, the virtual control of all Germany's revenue and expenditure. It would involve the controlling authority in responsibility for all financial troubles, and it might be a pretext for them.

The use of this safeguard of general budgetary control should be reserved for the case of Germany's willful failure to meet the obligations now laid upon her. If, as we believe, the payments which we have suggested can be made without compromising budget stability, it is in our opinion not impossible to establish a system under which a combination of self-interest and latent pressure will suffice to assure sound financial administration. We believe that the object can be attained if, without in any way impairing the first charge, which now exists in favor of reparation on all Germany's assets, certain specific revenues are assigned to and under the control of Germany's creditors. These revenues will furnish a collateral, but not a primary, security, and we suggest that they should be the taxes on customs, alcohol, tobacco, beer and sugar.

We propose for this purpose that they should pass directly into the hands of an impartial and effective control; that the treaty payments should first be deducted by the controlling authority for the account of the Allies, and that Germany should only have the use for her own purposes of such balance as may remain. We believe that this system contains the greatest degree of effectiveness, without involving the Allies in the onus of responsibility for any breakdown in the execution of the plan. We recommend that the control should be instituted forthwith in spite of the fact that the budget supports no peace treaty charge in the year 1924-25. We make this recommendation for two reasons: Germany, by instituting this control, puts this part of the plan into execution in a definite and public manner, and, in the second place, early action will insure that control is in effective operation at the moment when part of the revenues is retained by Germany's creditors.

We would add that, while leaving untouched the existing alcohol monopoly, we do not, in view of reports received from technical experts, propose the transformation of consumption duties into new monopolies, though we recommend certain important new regulations with regard to the sale of tobacco.

Controlled Revenues.

The estimate made by the German officials of these revenues for the year 1928-29, exclusive of customs, was 1,700,000,000 gold marks. The technical advisers specially consulted by the committee have estimated the yield at 2,146,000,000 gold marks. There is every prospect, therefore, that the assigned and controlled revenues will give a large margin over the treaty charge payments, even in the standard year, of 1,250,000,000 gold marks. The revenues are a security for a payment otherwise fixed.

This principle renders possible a system of control which, while equally effective, is much more simple in operation and is strengthened by the association of Germany's self-interest. Once the treaty charges are met she is entitled to the whole balance, and therefore she has the fullest inducement to increase the yield; but she can touch no part of the revenues in a given period until the treaty charges are fully met, so that every increase operates in the first instance to increase the Allies' security. We have suggested above that in the years 1926-27 and 1927-28 the amount of reparation to be paid should be dependent to some extent on the yield of these particular revenues. In order that there may be no misunderstanding, we desire to state clearly that in our opinion this arrangement should be strictly confined to the

two years in question and be regarded as exceptional.

We believe it to be of the greatest importance that the revenues should normally be regarded strictly as security and should not be relied upon in the ordinary course as the determinant of the actual sum to be paid as reparation. In particular, if the yield of the revenues exceeds the amount to be secured, the excess should accrue to the German Government. Our reasons for holding these opinions are more fully stated in Part II.

External Loan.

An integral part of our scheme is the issue by Germany of a foreign loan of 800,000,000 gold marks. This loan is primarily essential for the successful establishment of the new bank and to insure the stabilization of the currency. The deposit of this amount in the new bank will be an important and necessary contribution to its gold reserves and enlarge the basis of its currency issues.

It will thus be enabled, in the second place, without impairing its usefulness, for the above to play an important part in solving the problem created by Germany's immediate and most urgent obligations to the Allies which do not necessitate the transfer of money abroad.

We have already stated our conclusion that Germany should not be called upon in the years 1924-25 and 1925-26 to provide for any treaty charges out of ordinary budget resources, and we have deferred to this point indication of the means by which a complete suspension of payments may be avoided.

The current liabilities of Germany under the treaty, other than liabilities for cash payments in foreign currencies, comprising the most essential deliveries in kind and costs under a number of other heads, are known to be considerable. Although the precise amount is not easily determinable, they aggregate to a large amount, and if no arrangement is made for meeting or reducing them they will form a formidable obstacle in the way of a complete solution.

In the year 1924-25 the extra budgetary resources can be relied upon to provide 200,000,000 gold marks, being the interest on railway bonds. The question arises whether a further sum can be provided.

We first considered whether Germany would have sufficient credit at the outset to meet the full amount of her charges by loans or capital assets. In our view it is impossible to say that she could obtain funds, until her position is well established, adequate to discharge them.

But it does not follow that the most pressing of the demands cannot be met, for a considerable sum can certainly be raised upon the good security that the plan provides, with a clear prospect of improved international political position and of stability.

The question is, therefore, whether the claim upon Germany can be so reduced by agreement among the allied creditors as to come within the potential credit. If they can, then obviously the greater the reduction the more moderate the sum to be raised, and the greater the probability of Germany successfully raising a loan. If not, then the loan will not be forthcoming, stability cannot be insured, and neither this plan nor any other can come into being.

The successful launching of the scheme depends, therefore, upon three main factors:

Limitation of Payments for all purposes to 1,000,000,000 gold marks, of which at least 800,000,000 must be spent in Germany for the first year, and thereafter to such sums as are available under the plan during the succeeding years.

Cooperation between the Allies and Germany in securing political conditions which will incline the investors of the world favorably toward the German loan upon good security.

A loan of 800,000,000 gold marks, which will serve the double purpose of assuring currency stability and financing essential deliveries in kind during the preliminary period of economic rehabilitation.

It will be seen that under the plan, among the different revenues available, ample and sufficient security could be found to form the

basis of such a loan, both as to interest and sinking fund.

Obviously, the first loan should be fully secured, but it is equally true that it is neither in the interest of a first loan nor of the Reparation Commission to create a situation which would prejudice the flotation of subsequent German loans or the realization of the capital assets provided for in the plan.

The amount required for the service of this first and any subsequent loans must be deducted from the sums which in subsequent years can, in accordance with our plan, be placed at the disposal of Germany's creditors. In effect, the loan is only an anticipation of the sums subsequently available which, it is necessary to emphasize represent, in our opinion, the maximum burden, and therefore one not capable of increase.

It is not for us to offer suggestions as to the priority of claims, or how the sums should be distributed. On this aspect of the matter we confine ourselves to stating that in the interest of currency stability, and to aid the successful inauguration of the new bank, the proceeds of the loan should be used exclusively for financing internal payments such as deliveries in kind, whether direct or by the operation of the Reparation Recovery act, and that part of the costs of the armies of occupation which represents expenditure in Germany, by or on behalf of the armies.

But we do assert that if, as we believe, Germany's credit will be good enough to float such a loan, it is natural and necessary that her credit should be employed to ease the burden on her creditors during the period of her own recovery.

In the year 1925-26 the problem is somewhat different in character. The reasons which make a foreign loan essential in the first year should have disappeared. If confidence is in process of re-establishment, a large reflux of capital to Germany is to be expected. People whose object in transferring money abroad or in hoarding foreign notes within Germany has been simply to insure against further loss will to a great extent reconvert this capital into German currency.

Other things being equal, the German currency and exchange situation will continue to improve, a phenomenon which has been clearly exhibited in the last twelve months in Austria. The exchange position of Germany will therefore be relatively strong and her budget position relatively weak.

In the few succeeding years the position will be exactly reversed. The exchange will become normal, but weaker than during the abnormal period of reconstruction, while the budget resources should be enormously strengthened.

In view of these facts, we see no danger, and perhaps positive advantage, in requiring that during 1925-26 deliveries in kind, and that part of the costs of the armies of occupation spent in Germany by or on behalf of the Allies, should be financed up to 1,220,000,000 gold marks, by sums raised in Germany itself.

The above sum is made up of railway interest partly carried over from the first year, amounting to 595,000,000 gold marks; the transport tax, to the amount of 250,000,000 gold marks; interest on industrial debentures, amounting to 125,000,000 gold marks, and 250,000,000 gold marks from the budget provided by the sale of railway preference shares belonging to the German Government. If for any reason the whole of the above sums is not provided, the balance should be raised by a German internal loan.

Organization.

The committee's plan provides for a commissioner of the bank of issue, a commissioner of railways and a commissioner of controlled revenues, the last named to have under his control a certain number of subcommissioners, severally entrusted with the special revenues under consideration, and, if the need arise, for a commissioner of industrial debenture. The plan also provides for an agent for reparation payments.

In order that the machinery thus set up by our plan may function properly, both in relation to the Reparation Commission and in its German environments, there must be an agency between the Reparation Commission and the various commissioners. We suggest that this co-ordinating agency devolve upon the agent for reparation payments.

The commissioners would retain all responsibility for the carrying out of the task entrusted to each, only subject to such co-ordinating policies as may prove necessary in order to avoid any duplication of effort, overlapping of functions, unnecessary friction and generally all interference with the harmonious working of our plan.

In case of a difference of opinion between one commissioner and the "Agent General for Reparation Payments," in his capacity as co-ordinator the commissioner can appeal to the Reparation Commission. The existence of this right of appeal will have a salutary effect upon the relations of the co-ordinating agency and the different commissioners.

To facilitate the interchange of information which will develop a situation in its entirety for appropriate action, a general co-ordinating board is also suggested, in which the various commissioners, or representatives named by them, will participate together with the "Agent for Reparation Payments" and the trustee.

The co-ordinating board is to have advisory powers only, and is for the purpose of giving information to the Agent General to assist him in preparing co-ordinating orders.

These suggestions are naturally far from exhausting this important subject, which is one of the most important of our plan. They are laid down simply as an indication, as the drafting of the rules for such a co-ordination will devolve upon the Reparation Commission so far as they have power, and upon the various Governments.

Rules should be laid down for the rendering of periodical reports and for the publication of such as the public interest may require.

We desire, however, to record in this connection that the expense of the new machinery provided for by the plan can and should be contained within limited amounts, and in any case be included in the annuities already contemplated.

The plan also provides for the appointment of a trustee with the following duties:

He will receive and administer the railway and industrial bonds and will be accountable to the Reparation Commission for these and all other securities.

He will insure the service, interest and amortization of the railway and industrial bonds by means of funds remitted to him for this purpose by the agent for reparation payments.

He will fix the conditions of the amortization of the bonds and, if necessary, the redemption at par of all or a part of the bonds not yet amortized by means of any supplementary payments which may be made by the German Government, the railway company or industry.

With the authorization of the Reparation Commission, and for its benefit, the trustee may sell the bonds which he holds and may use the mortgage bonds and deeds which he holds to secure new securities which he may himself issue.

Both the agent and the trustee should be appointed by the Reparation Commission.

In framing the organization of control the committee has adopted as fundamental the principle that if the plan is to yield the best financial results it is desirable that control should be of such a nature as not to involve the assumption of responsibility by the commissioner for German administration, though the committee recognize that this principle cannot be adhered to in case default under the plan arises.

The Nature of the Plan.

In concluding this part of our report there are several points which we desire to emphasize. In the first place, we regard our report as an indivisible whole. It is not possible, in our opinion, to achieve any success by selecting certain

of our recommendations for adoption and rejecting the others, and we would desire to accept no responsibility for the results of such a procedure nor for undue delay in giving execution to our plan.

In the second place, as we have remarked earlier, our plan is strictly dependent upon the restoration of Germany's economic sovereignty, and it is important to observe that the operation of the plan will be proportionately postponed if there is a delay in effecting that restoration. The various dates which we mention in the report must be interpreted in the light of the above remark. From the standpoint of the taxpayer in creditor countries the plan means in due course an annual relief to the extent of 2,500,000,000 plus such additional amount as the index of prosperity may provide.

On the other hand, from the standpoint of the taxpayer in Germany, the plan means a direct burden of only one-half this sum, viz.: 1,250,000,000 per year and the transport tax, plus such additional amount as may represent only a relatively small share in increased prosperity.

The German taxpayer can look without anxiety upon the remainder of the payment of 2,500,000,000, for it represents a relatively small burden on German industry, which has been the beneficiary of substantial special profits and only a modest return on a large capital invested in railroads which are yielding him no relief in taxation in his budget at present, such capital having been accumulated prior to the war. We are satisfied that the contributions from railway and industrial debentures will not be reflected to any substantial degree in a burden to the individual German taxpayer.

As regards the railways it will only require the same kind of return as exists in similar enterprises in many countries. Our purpose has been to set up a machinery which will secure the maximum payment which Germany can make in each year in her own currency. We do not speculate on the amount which can annually be paid in foreign currency or on Germany's capacity to make a total payment.

The committee is confident that it lies within the power of the German people to respond to the burdens imposed by the plan without impairing a standard of living comparable to that of the allied countries and their neighbors in Europe, who are likewise subject to heavy burdens largely resulting from the catastrophe of the war. We have not concealed from ourselves the fact that the reconstruction of Germany is not an end in itself. It is only part of the larger problem of the reconstruction of Europe.

We would point out finally that while our plan does not, as it could not properly, attempt a solution of the whole reparation problem it foreshadows a settlement extending in its application for a sufficient time to restore confidence and at the same time is so framed as to facilitate a final and comprehensive agreement as to all the problems of reparation and connected questions as soon as circumstances make this possible.

PART II.

(1) The Currency Position.

The Conditions at the Outset of Our Inquiry—When we started our investigations the value of German currency had been stable for some two months. It would not have been pretended, however, by any authority that German currency had been stabilized. It would, perhaps, be juster to apply the term "unstable equilibrium" than the term "stability" to this transition period which has fortunately continued to the present day. The elements of permanent stability even if the repercussions of the budget situation are momentarily left out of account were then and are still wanting. One of the first steps which the committee took was to request Dr. Schacht, the Governor of the Reichsbank and the Currency Commissioner of the Reich, to give evidence before them with a view to their being fully informed of the existing currency situation.

Quantity of the Currency—The total circulation, although so enormous in nominal values, was

when reduced to its gold equivalent at that date something over 3,000,000,000 gold marks only, whereas the pre-war circulation in Germany had amounted to 6,000,000,000 gold marks. Prima facie, therefore, the amount of currency seemed deficient rather than excessive and not likely in itself to be a cause of further depreciation.

In proportion as the German mark dwindled in value and became less and less utilizable for the threefold function of standard of value, instrument of payment and medium of saving, foreign currencies naturally became by force of circumstances more and more sought after in Germany. The Germans resorted increasingly to the currencies of countries with comparatively stable exchange not only to invest their savings, but also to define and even settle their transactions, and the presence of such currencies in Germany increased ever more as the mark depreciated further.

In spite of this extended use of foreign currencies in Germany the shortage of purchasing power made itself increasingly felt, leading first the German Government, then the States and municipalities and finally the great industrial and agricultural organizations and even private firms to supplement the currency shortage by new instruments of payment. These token currencies expressed in gold or paper marks sprang up in Germany in the Summer of 1922 at a moment when the need became urgent to find new means to meet the requirements of current transactions, the old mark on the verge of its collapse no longer answering such requirements. At the end of 1923 we find in Germany an absolutely heterogeneous monetary circulation which included besides the foreign money in circulation or hoarded dollars, pounds, florins, gulden, Swiss francs, French francs, Scandinavian crowns, &c. The old paper marks, dollar Treasury bonds, dollar Schatzanweisungen, bonds of the gold loan, Wertbeständige Anleihe, 6 per cent. Treasury bonds, 6 per cent. Schatanweisungen, rentenmarks and lastly a whole set of odd emergency currencies, not gold, expressed either in gold or in paper marks.

Backing—The security of the rentenmarks is a mortgage on real and to some extent on personal property and the so-called gold loan is repayable in legal tender on a gold basis but has no gold backing. The various forms of emergency money were for the most part based on no security at all. The gold reserve of the Reichsbank amounted to some 467,000,000, but 299,000,000 thereof was specifically earmarked as security for the dollar loan issued by the Reich in 1923. Taken as a whole, therefore, the liquid backing of the currency is wholly inadequate for a permanent system.

Interchangeability—The rentenmark is not actually legal currency within the country nor available for any purposes of foreign trade. The old currencies with their vast denominations remain the legal currency, but prices are everywhere expressed in rentenmarks. It is therefore obviously necessary that payments should be made indifferently either in reichsmarks or in rentenmarks at a fixed relation between them. The Reichsbank accordingly accepts rentenmarks at the rate of 1 rentenmark for 1,000,000,000 paper marks, and rentenmarks are also accepted in payment of taxes at the same rate. Annex 7 to the present report shows in some detail the curious monetary situation in Germany at the end of January last.

The Present Tranquillity—As the committee has remarked, the elements of currency stability were not to be found in such a situation. The temporary equilibrium of the German exchange has been ascribed to various causes by different authorities; some lay stress upon psychological factors and, in particular, a renewal of confidence, the exact basis of which it would be difficult to determine, but which took account of the efforts being made by the German Government to balance its budget and of the appointment of the committees of experts by the Reparation Commission; others refer to a decrease in internal consumption which, with the lack of credit, accompanied by what was

probably an excessive restriction in importation, reduced the demands both for the circulating medium and for foreign currencies.

Credit Facilities—The exportation of the rentenmark is prohibited. Its existence was of no assistance in the maintenance of foreign trade. The reichsmark was too discredited to be any longer available for the purpose of meeting foreign obligations. Credit was only obtainable abroad at dangerously high rates of interest. At the same time the currency depreciation and its secondary effect had produced a serious dearth of liquid capital in Germany itself. The stringency may be indicated by the fact that, according to figures furnished to us, the savings bank deposits had fallen from 10,700,000,000 at the end of 1913 to 760 gold marks at the end of 1922. The credit accounts in the eight large Berlin banks amounted to 7,400,000,000 at the end of 1913 and to about 1,000,000,000 at the end of 1922. The figures for 1923 are not yet available but can scarcely exhibit an improvement. Leaving for the moment out of account capital which in one form or another had been exported, liquid capital in monetary forms liable to depreciation had been steadily converted into fixed assets with a permanent intrinsic value. The private individual had purchased consumable commodities, while industrial enterprises had largely extended their plant and equipment. The motor was in good, perhaps in unusually good, condition, but the motive power and lubrication were apparently lacking.

Immobile Credit Resources—On the other hand, there was general agreement that not inconsiderable resources were available in the shape of German balances abroad and foreign currencies in the pockets of the population in Germany itself. This latter item alone has been estimated at 1,200,000,000 gold marks by the committee appointed to consider the means of estimating the amount of German exported capital. It was reasonable to suppose that a large proportion of these resources would be available if complete confidence in the stability of German currency could be restored and maintained. As stated in Part 1, the committee considers that this end can best be secured by the institution under proper safeguards of a new bank which should absorb the existing currencies, liquidate the Rentenbank and transform the Reichsbank and provide against recognized banking cover the foreign currencies necessary for the revival of Germany's languishing trade. The plan for this bank is given in Annex 1.

Psychological considerations seem imperatively to require an institution which should be so far new in its policy and its administration as to detach it entirely from the errors of the recent past and restore the older traditions of German banking.

The Interim Bank—While coming to this conclusion and while reducing the general plan to details, the committee had to deal with an actual change in the situation as it originally presented itself. The committee were informed that a scheme for a gold bank was in preparation. It was expressly and admittedly limited to providing the means of carrying on foreign trade. When first submitted it contained some features which the committee would not have recommended, and it omitted others which seemed to the committee to be essential to any permanent settlement of the problem as a whole. Moreover, an attempt to settle particular difficulties in isolation and without reference to other essential requirements appeared to the committee to involve certain risks. The committee, therefore, without expressing any opinion on the plan as given to them in outline, assured themselves in consultation with the authorities responsible for Germany's monetary policy that the bank would be so organized as to facilitate its absorption into a new bank of issue which might be set up in accordance with the recommendations of the committee.

(2) Germany's Burden

Commensurate Taxation—In Part I, we refer to the fact that we have taken full account of this principle, but it is necessary for us to make

some further observations thereon. The principle of the "commensurate burden," as it has been called, unimpeachable in abstract statement, is exceedingly difficult to translate into quantitative measurement as a basis for practical action. While obviously sound and just, it does not easily admit of precise and arithmetical calculation. What at first sight seems to be a simple conception, on examination is found to be complex and in some respects not reducible to exact definition. Now the ordinary expenditure which has to be provided for in the German budget is reduced in part by the restriction upon her military preparations, but above all by the practical extinction of her internal debt. If Germany had sustained the burden of her own debt as the Allies have done and not obliterated it by inflation she would have had to raise 4,500,000,000 to 5,000,000,000 per annum in addition to her domestic expenditure. This would make it both just and practicable to add a provision in her budget which should bear some correspondence to the provision made in the Allies' budgets for their war expenditure.

But the raising of any particular sum from one section of her inhabitants to be paid back to another section within her borders is a "burden" in a different sense from the payment of such a sum by the whole population to people abroad—different in more than the economic sense—and it is difficult to bring such a task into direct relation with the problem of reparations. It is a measure of what individual taxpayers rather than a nation may be capable of bearing.

In the first case, the interest paid forms a part of the national income. As it is expended it provides profits and a stimulus for internal trade and so increases further the income of the country and in particular it is itself an important source of internal taxation. A payment in respect of a debt to foreigners has no comparable advantages to the country making it. This extinction of the German debt has after all been at the expense of her own nationals, who are her taxpayers. They have sustained as holders of German bonds not only the burden which they have already escaped as taxpayers but that which they would have borne in future years to meet the service of the internal debt if its value had not been destroyed by depreciation.

The process of extinction has, indeed, except in its incidence as between different individuals and classes, had the same results both to the Treasury and to the German taxpayers regarded collectively with a capital levy devoted to debt extinction. The loss incurred by individual holders of debt is exactly offset by a corresponding profit accruing to the taxpayers as a whole.

It renders both practicable and just a greater charge for other war debts than would otherwise have been possible. A large proportion of the richest taxpayers of the country have obtained the relief without themselves sustaining the cost. They are a proper source of taxation commensurate with that weighing upon the corresponding classes in allied countries and in particular upon the industrial classes. To them as individual taxpayers a tax is a tax, whether its ultimate destination is the payment of a war debt due to fellow-citizens or to foreigners. And under the system we propose it may be regarded as a tax in internal currency without the complications which result from the question of how sums so received can be converted into foreign exchange. For this special problem we provide special safeguards. The German taxpayer should regard a payment in respect of war debts exactly as an allied taxpayer regards a similar payment. Its ultimate destination need not concern him and is certainly no justification for him to attempt to evade it.

The facts as to the burden actually being borne by the Allies for debt service are perhaps a better approach to the actual problem. If the German burden per head for debt were as oner-

ous as the burden for debt existing upon the inhabitants of Belgium, France, Great Britain and Italy taken together, then the German debt charge would approximate to 6,000,000,000. But in this case again the charge is to a considerable extent in the nature of a redistribution of annual wealth among the members of each nation and has little relation to the problem of a national burden in the collective sense.

In the third place, it may be said that if the German people were burdened as heavily as the members of the most heavily taxed of the allied countries are taxed for all purposes, excluding debt charge, we should have an expression of the commensurate burden principle in a limited and strictly defensible sense. But even here theoretical and practical difficulties prevent exactness.

In the search for the "commensurate" it is not enough to compute the burden as a per capita charge; it must be related to per capita wealth or income. It is considered by many that justice requires a minimum of subsistence to be first deducted from such per capita income. The amount of the minimum is not exactly determinable, and it seems to vary as between different countries, of different climates, different economic development, and different customs, namely, as between Spain and the United States. It may even vary between different periods in the same country. As a rough working assumption, such a minimum may be regarded as varying in proportion to the per capita income of different countries. Furthermore, over any period of time this burden per head in the allied countries must change, and what might be a valid comparison today in taxation in those countries may be quite different in ten years' time.

The comparison of the statistics of total taxation, national and local, in each country presents many technical difficulties. Moreover, statistics of total national income and income per head are at present either very defective or wholly lacking. Notwithstanding these difficulties, it is possible to compute roughly what total budget charge would be borne by the German people if they were subject to taxation, central and local, on the same scale per unit of income as in Great Britain, and by deducting from the result the necessary domestic expenditure to derive an arithmetical balance which could be theoretically, at any rate, assigned to the payment of reparation.

Combining these various aspects, we have reached the view that the "commensurate burden" principle for Germany when she is fully restored to economic prosperity would more than justify all the practical conclusions we have set down, and that they are in every way morally defensible.

There are, of course, good reasons of a political, economic and psychological character for confining the actual requirements of budget accumulation within Germany to limits well below the figure that would be arrived at from the consideration of this principle by itself. Different individuals will differ in the degree of importance they assign to such reasons. It is perhaps unnecessary to state these aspects in detail, and sufficient to register our united conviction that all our recommendations and suggestions are well within what can morally be justified on the principle of "commensurate burden." Whatever limitations may be placed upon that principle in this sense, therefore, the justice and moderation of our proposals ought to be fully recognized by the German people themselves.

In the above discussion we have disregarded the question of railway profits inasmuch as budget revenue is not derived from profits on railways. Elsewhere no question arises as to whether railway profits are a burden in the sense of a tax. Such profits in other countries form a part of the ordinary profits of private concerns accruing to individuals, and it may be said, therefore, that in Germany the position of the taxpayer is the same whether such profits go to individuals or to the Allies as reparation. On the other hand, the Germany railway profits might go in relief of taxation burdens if they were not applied to reparations. Moreover, it is

difficult to say that the abstraction of the profits of so important an undertaking as the railways of a country from that country, instead of leaving them there to be enjoyed individually or collectively by the inhabitants, is not a burden in the international sense, even if it is not a part of the individual commensurate burden of taxation."

Exports as an Index of Prosperity.

In Part I. we have suggested an index of prosperity and indicated that in our opinion it was a fairer test than the existing index, namely, export statistics. The use of the latter in isolation has certain definite defects, to some of which we desire to draw attention.

Foreign trade only covers part of the area of total trade, and if foreign trade at a given moment only covers a small part of the area, total trade may be moving in a direction opposed to that of foreign trade. Artificial conditions such as alterations in transport charges may affect the trade figure in the absence of any real change in the value or volume of exports. The export statistics, more especially when no export duty is in force, may be subject to changes in presentation and frequently furnish material for controversy.

Reparation payments themselves are and can only be financed by an excess of exports. It follows that an increased reparation payment in one year furnishes an increased base for the following year. This process is cumulative and the basis for the index is continuously raised, so to speak, at compound interest, even though actual prosperity may be stationary. In a country with an economic life such as that of Germany, invisible exports may increase more rapidly than physical exports and there may be growing prosperity which is not reflected in expert statistics.

Yield of Particular Taxes.

We have laid some stress in Part I. on the fact that certain revenues were chosen strictly as guarantees and that fluctuations in their yield were not to be regarded in 1926-27 and 1927-28 exceptionally as determining the payments due by Germany. The following are the broad principles justifying this standpoint:

It is desirable that the German Government and the German people should be themselves interested in increasing the yield of the controlled revenues and should be under no temptation to discriminate against these taxes in favor of others. The year's liability, which under our plan will include an allowance for increased prosperity, will already have been established by one test in which, moreover, the yield of the controlled revenues indirectly forms one element. Having applied one test it would be unfair to apply a second and to choose whichever gives the higher result.

The year's liability ought not to vary with the fortuitous yield of particular taxes. The character and level of these taxes should be chosen with a view to their appropriateness for fixing obligations. Unless the liability of the year is definitely fixed and unless the German Government can proceed to estimate its resources by preference to the whole and not part of the taxable field, the difficulties of forming a satisfactory budget are aggravated and German credit is affected.

Common sense requires that the reparation liability ought not to rest even indirectly upon the rate of particular taxes, or otherwise every change in rates or methods of collection, even when thoroughly justified by social or political reasons, must be scrutinized with such a degree of care and perhaps suspicion that it becomes a fruitful source of friction and dispute.

(3) German Budget and Fiscal System.

The 1924-25 Budget—The German Government prepared and submitted to us the outline of a provisional budget for 1924-25 which estimated a small excess of receipts over the ordinary administrative charges of the country. While the committee have spent a great deal of time upon the details of this budget and have put many questions in writing to the Government and in

oral cross-examinations of the officials upon its chief features, the subject is so vast in its ultimate implications, especially having regard to the constitution of the Reich, that no finality could possibly be reached, especially in a matter which to the Germans themselves is full of difficulty and doubt. Nevertheless, we believe that the ground has been explored to a sufficient extent to justify us in feeling that even a prolonged examination could not substantially alter our conclusions.

To some of the more salient points we shall make particular reference.

The Conditions Under Which the Budget Estimates Were Made—It should, however, be first remarked that in general the budget must necessarily be in the nature of an experiment and the individual items in it somewhat arbitrary estimates.

At the time of our investigation Germany was passing through an acute economic crisis, the direct result and the culminating point of a depreciation of the currency so catastrophic as practically to destroy the currency and reduce the budget to all but a shadow. The habit of saving has been destroyed and it will require time and the restoration of confidence to re-establish it. The existing wealth is maldistributed in an almost unparalleled degree. The cessation of depreciation, with the consequent removal of the premium on exports and the stabilization of prices at a level which is momentarily, at any rate, above that of the world level, has had important reactions. Finally, the state of employment and the fiscal and economic machinery of Germany have been violently deranged by the events of 1923. A return to normal conditions in this respect cannot be effected overnight.

Assumption Underlying the Budget—It should be most carefully noted that the budget is not made up to represent the financial expectations of actual existing conditions. As we have remarked above, the general budget, as presented, anticipates a credit balance, and the German Finance Minister appeared to be reasonably confident of his ability to live up to these estimates, provided three essential conditions were fulfilled: First, that the Bank of Issue, which would serve as a basis for the grant of credits, would be established; second, that the full development of German economic life should not be restricted by the severance of the Ruhr and the Rhineland; third, that Germany enjoy complete freedom in her economic relations with other countries.

The first and second of these conditions will be fulfilled if our recommendations are accepted, and they appear to us to be essential to budget equilibrium.

As regards the third, we understand that Germany's commercial freedom is restored under the terms of the treaty in less than twelve months' time. We are not, however, satisfied that the budget, as framed, is not exposed to a real risk of deficit. The German fiscal year begins on the first of April, and even if our recommendations are accepted, a certain lapse of time will be necessary before an absolutely normal administrative situation can be re-established.

For this, if for no other reason, we conclude that on the existing basis of taxation the estimated revenue may not be realized, even allowing for certain possible underestimates under particular headings.

On the expenditure side, the only item on which a saving may emerge of any great significance relatively to the possible deficit is the provision of relief for the unemployed. The sum allocated to this purpose, 500,000,000 gold marks, is estimated on the assumption that the existing amount of unemployment will continue throughout the year.

It appears to us that this is unduly pessimistic, and any reduction in the number will both relieve the expenditure and the revenue side of the budget, inasmuch as the wages earned by a laborer are subject to direct and, through the medium of his expenditure, to indirect taxation.

Taking one item with another, however, we cannot justifiably state that the results are

likely to be any better than have been indicated in their estimate. But if for this year, 1924, there was a deficit, we have just seen that this possibility cannot be absolutely disregarded. We can assert that it would not be of an extent to endanger the stability of the currency or force the German Government to have recourse to other than the conventionally authorized expedients for meeting it, such as increases in existing taxation, further emergency taxes, or small internal loans.

Moreover, so many of the settlements due in the year 1924 will fall to be made in the year 1925-26 that fiscally these two years tend to be merged into one period, and, as will be seen later, we have no doubt that in that period ordinary budget receipts will fully equal ordinary budget expenditure.

Special Features in the Fiscal System.

The Income Tax—We do not propose to comment in any detail on the existing taxes, but there are certain broad features which call for notice. We have been unable to escape the conclusion that of the wealthier classes of Germany many have in recent years not been reached properly by the system of taxation in force, either to an extent which the taxation of the working classes would justify, or to an extent comparable with the burden upon the wealthier classes in other countries.

It is, of course, common knowledge that with a continually depreciating currency many classes of business men tend to obtain as profit a larger share than is normal of the total produce of industry. Many of their expenses are in the nature of fixed charges.

Moreover, generally speaking, paper mark wages have not advanced as rapidly as paper mark prices have increased, so that the share of the business proprietor in the total produce of industry, altogether apart from the special profits made by him on redeeming debentures or mortgages at nominal figures, has tended to be greater than is normal.

Direct taxes, such as income tax, are necessarily assessed for completed periods, and during a time of rapidly rising prices the burden of any particular year, based on the profits of previous years, is small relatively to the profit of the year itself.

Moreover, the process of return, assessment and appeal for such a tax necessarily occupies further time, and by the date when substantive liability is fixed in paper marks its real burden is far less than was originally intended. Further delay in payment of that liability intensifies this effect.

It was not until the inflation movement was well advanced in Germany that any serious effort was made to combat this evil. Although the rates of income tax, according to the nominal scales, rose to nearly 60 per cent. on the highest incomes, statistics of cases furnished to us by the German Government show that in effect, even in the year 1920, the burden of actual tax (measured in gold) on the higher incomes, instead of being 50 to 60 per cent., was only half those rates upon the income of the year (measured in gold). This was undoubtedly one of the primary causes for the budgetary difficulties of Germany, and the disparity was very much greater in the later periods.

It can be said with confidence that the wealthier classes have escaped with far less than their proper share of the national burden, and we have put it as a matter for the serious consideration of the German Government whether they should not, facing even the admitted administrative difficulties, review the assessments of recent years in the case of these particular classes of taxpayer and reassess their liability upon a gold basis.

The whole system of direct taxation went to pieces in 1923, and for 1924 the income tax, as is easily understood, is in abeyance. The profits of industry in 1923, expressed in nominal figures of paper marks, have no meaning unless they can be resolved into the profits of the particular dates on which they were made and then reduced to a common denominator of gold values. A profit of 1,000 marks made in January,

1923, is obviously quite a different amount from 1,000 marks made in September. We can well believe the German Government finds it impossible to use the year 1923 as a basis for income tax assessment in 1924.

They have been driven to temporary expedients of a very makeshift character, not rising to a higher normal burden than 25 per cent., with the intention of rescuing and reassessing the income tax proper in 1925.

These expedients do not reassure us upon the general question as to the taxation of the wealthy classes, and in our judgment, if they desire the Allies and their own working classes to realize their good faith in this matter, the German Government should publish at an early date their definite intentions with regard to the scales of income taxation that are to be applied during 1925-26 to the actual profits of 1921-25 for the final adjustment of the fiscal year 1924-25. The 1924-25 budget estimates 1,344,000,000 gold marks as the income tax yield, of which all but 480,000,000 gold marks is estimated to be assessed on wages.

We have drawn the German Government's attention to the absence in the temporary measures of any proper provision at present for dealing with income from abroad. They were asked to furnish us with details of the comparative position of different incomes drawn from dividends in the years 1920-21, 1923-24 and 1924-25. The reply is given in Annex IX, as indicating the present position of direct taxation in Germany.

Special taxation on those who have specially profited by depreciation of currency—currency depreciation on the scale it has occurred in Germany has brought into existence a new and special type of "windfall" wealth, which is a suitable subject for taxation in an emergency. The ultimate profit or loss to industry and agriculture as a whole in the depreciation era may be difficult to calculate. There are many cases, however, of industrial and other undertakings which were not only able to make large profits, but succeeded in paying off prior charges at a trifling fraction of their value when incurred.

If a mortgage or debenture of 10,000 marks has been paid off for practically nothing, "windfall" profit to the debtor at the expense of the impoverished creditor has been made to that extent. If it has not yet been paid off, but the debt can in due course be discharged by worthless paper marks, the "windfall" is a potential one.

In this last case it has been decided by the German Government to "valorize" the debt at 15 per cent., and the "windfall" to the creditor is to be restricted to 85 per cent. On this remarkable improvement in his position the Government proposes to levy a tax of 2 per cent., or 1.7 on the whole debt.

In the case where the debt has been paid off, the Government will take the actual difference between the gold price paid and 16.7 per cent. In our view, such special taxation, if justified in principle at all, as we believe it to be, is justified at much higher rates, but certain rights of taxation are being given to the Federal States which encroach upon this area of taxation, and for the rest our proposals in Section 9C of Part One in regard to industrial debentures cover what might otherwise have been independent recommendations under the head of taxation.

Similar extraordinary profits have been made though State subventions and through the repayment in depreciated currency of bank loans, State advances and other similar obligations.

The Reich and the States—The third special feature to which we would refer is the financial relation between the Reich and the States and Communes. The more complete financial centralization that took place after the war, in accordance with the Weimar Constitution, has not fundamentally changed the character of the relations between the Reich and the States. Although the Reich is charged with the administration of taxes formerly undertaken by the States, it is under obligation to cede the major

part of the proceeds of the income tax, for example, to them. The States discharge wholly or in part many of the functions of government, and there is no clear principle connecting their resources with their obligations. When in difficulties they press the Reich for a larger subvention (a percentage of the yield of taxation), just as in turn the needy Communes press the States for greater financial aid.

The situation has hitherto been governed by merely political or administrative opportunism, rather than by clear financial principle. The Reich can either yield to the pressure for higher percentages in subvention, or they can confer upon the States the right to exploit particular fields of taxation for themselves. The check by the States upon the Communes is equally unsatisfactory. It is almost impossible to ascertain the true cost of any of the single functions of government, in view of its division between these three constitutional entities, and in the absence of proper aggregated financial statistics of the States, and still more of the Communes.

The changes that have taken place completely falsify any comparison which could be established between the pre-war Reich budget and that for 1924-1925. Moreover, these relations are once more under review. During the period of rapid depreciation the resources of the States and Communes, together with the regular allocations from the revenues of the Reich, were inadequate to their needs. Their financial situation was similar to that of the Reich itself.

The expedient adopted by the Reich of multiplying the issue of notes was not open to the States and Communes, who had necessarily to be supplied with continuously increased subsidies from the Reich, and this proceeding was one of the principal causes of the utter breakdown of the German finances.

The resultant chaos has been such that no up-to-date statistics are available, and the States have not yet framed their budgets on a gold basis.

It is, in our opinion, essential that at the earliest possible moment the preparation of complete statistics of the receipts and expenditures of the States and Communes should be resumed.

The importance of the question may be seen if it is realized that the Reich budget, after allowing for the subsidies, contains little more than one-third of the total expenditure, one-third being met by the States and one-third by the Communes. It would be quite possible for the communal budgets to be enjoying considerable prosperity at the same time that the Reich budget is in serious difficulties.

We do not pretend to be in a position to make detailed recommendations. The subject is a complicated one, and involves the consideration of social and political factors many of which have deep roots in historic traditions. Moreover, if our recommendations are accepted in their entirety, self-interest alone may almost confidently be relied upon to force the German Government to make provident arrangements with the States, and it has already given us on assurance that the régime of increased subsidies has come to an end and will not be revived.

It is clear, however, that in the near future the German Government must take steps to put the relations between the Reich and its component parts on a regular basis, which shall insure that the latter are not a constant drain upon Federal resources. The existing hole in the budget must be plugged.

It doesn't suffice, in our judgment, for the Reich to remain in supine contentment with the present situation merely because it has been the result of constitutional evolution. Germany waged war as an undivided whole, and the financial responsibility of the Reich to the Allies cannot be qualified or weakened by an attitude of passive acquiescence in the undiminished rights of subordinate areas.

So long as Germany has any external obligations they must be paramount, and the resources normally to be assigned to the States and Communes must be clearly defined and care must be taken to secure that these re-

sources are not more than adequate to legitimate needs.

Where further assistance must be given by the Federal Treasury, the amount of such assistance should again be strictly proportioned to the necessities of each case, and subordinated to continually increasing central supervision by the Federal Treasury of local expenditure.

In considering the budget as drafted in 1924-25 we have felt compelled to assume that the assignment to the States, amounting to 1,800,000,000 gold marks, is an irreducible figure, and that if the States themselves have budgeted for the receipt of this sum the Reich will be unable to escape the liability in one form or another.

This is the most probable assumption which we can make in a matter which bristles with political difficulties and is supported by the estimates submitted to us of the revenue and expenditure in 1924-25 of Prussia, Saxony and Bavaria. In each case deficits are disclosed.

Particular Taxes

The committee recognizes that the taxation of each large nation today is the product of many factors, including its historical evolution, its economic conditions, its political ideas, its constitutional framework and its social psychology. What is a good system for one country may be quite unacceptable for another. Even though the same elements may exist in two systems, the importance played by those several elements in the whole may be quite different.

If a similar total burden is being raised in two countries, it is almost certain that the manner in which it is being spread over the community and the particular devices adopted to raise it will be very different.

For these and other similar reasons we do not regard it as particularly profitable to pass the German budget in detailed review merely to suggest that each particular tax can be raised to a rate or level found in some allied country for that tax, and thus to impose upon Germany the maximum burden borne under each head in any of the creditor countries. To do this would be to lose sight of the principle we have referred to above, and also to ignore the question of the total burden. For example, to state that Germany could stand increases in the rates on tobacco, beer, spirits, &c., to the level of those in England, while ignoring the existence of her high turnover tax, which England does not impose, or to state that Germany could bear increased rates of death duties while wholly ignoring the existence of her capital taxes, would be to destroy the balance of her system and be oblivious to the total burden thus accumulated.

The committee would desire to avoid being dogmatic as to the way in which a given sum shall be raised by the German Government. Having come to the conclusion that a given burden can be borne, it is for Germany to suit her own condition in prescribing the ways in which it shall be obtained. At the same time, diversified as the systems in the allied countries themselves are, the committee offer the following suggestions as the subject of their common agreement and as suited, in their judgment, to German conditions. Eminent technical experts have made the following suggestions, which we commend to the notice of the German Government:

While they believe that the institution of a tobacco monopoly would entail heavy immediate expenditure, thus causing economic disorder, the technical experts recommend that the free manufacture and sale of tobacco should only be allowed to continue if subject to the regulations of the following scheme:

First, no factory or wholesale or retail tobacco shop may in future be established, nor may any existing establishment be enlarged without the permission of the State. Second, the introduction of tobacco substitutes in manufacture is prohibited. Third, the number of existing factories must be reduced by abolishing with a fair indemnity those which are really not industrial in character, while all factories which have been proved by experience to be incapable of producing goods at a fair cost of price must be expropriated. Fourth, products manufactured in the various factories

shall still be sold with their trademark, while the sale price to the consumer shall be indicated on each package, each box or packet to be sealed with a band representing the State guarantees. Fifth, existing manufacturers shall form a consortium according to the category of goods produced. This consortium, while collectively undertaking to supply the State with the quantities required for consumption, shall have to deliver its products at its own expense and exclusively to the State warehouses indicated. Sixth, the products manufactured shall be bought by the State at a price to be fixed at regular intervals. Seventh, prices shall be fixed in conformity with the results obtained in one or two State factories, to be run for experimental purpose and for the control of prices. Eighth, importers of foreign manufactured products shall be free to continue their business on the sole condition that they sell the imported products to the State warehouses under the same conditions of delivery as home manufacturers who deliver the goods produced in their factories.

In regard to sale organization the technical experts make the following recommendations: First, the State shall use the wholesale dealers' warehouses for its own purposes. Second, retail sales must be carried out exclusively by licensed dealers. Third, the retail dealers must only sell State products bearing the proper guarantee band at the price fixed on the package. Fourth, the remuneration of retail dealers shall be fixed at regular intervals by a certain rate of commission on the sale price to the consumer, such rate not to exceed an average of 12 per cent. Bonuses within this limit of 12 per cent. would encourage the most energetic retail dealers and thus develop the turnover. Fifth, payment for manufactured products delivered to retail dealers shall be made to the warehouse supplying them by means of check or postal order not in cash and without credit minus the commission above stated. Sixth, a small number of State retail shops shall be instituted in order to obtain reliable estimates and to control the expenses of sale on the basis of this plan.

The technical experts make the following estimate of the profit to be obtained by the State:

Gross receipts, 2,090,640,000 Swiss francs, 912,074,230 total expenses, thus showing a net profit for the State of 1,178,565,800 Swiss francs, or 856,515,000 gold marks, or 56.4 percentage net profit.

The technical experts have the following observations to make on the above table: First, an annuity payment is provided for which would correspond to the amounts to be allowed for the indemnification of the small factories to be closed down. Second, the cost prices of a free industry distributed among a large number of factories are higher than those of a monopoly, consequently the costs of manufacture under a monopoly system are increased by 35 per cent. in order to allow the manufacturer a reasonable profit. Third, with this organization, which leaves the factories and retail establishments in their present form, the taxes now collected by the German Government would no longer have to be deducted, with the sole exception of the tax on wholesale dealers to the amount of 6,000,000.

Under a system of sale organized in conformity with this scheme the technical experts put forward the results of such a plan, as under gross receipts: Amount expended by consumers, 1,523,960,000 gold marks; profit obtained by the State, from which must be deducted the taxes at present collected by the Reich, 856,515,000 gold marks; customs tax on turnover, 6,000,000 gold marks. Net profit obtained by the State, 550,515,000 gold marks.

The technical experts consider that it would be preferable to entrust the sale organization to an entirely autonomous organization, the constitution of which might well be based on the example of the Swedish monopoly. On the other hand, it is their opinion that the present fiscal organization of the German Reich should be used for the supervision of the tax.

In conclusion the technical experts believe that during the first period, which would not exceed two years, the estimate of the guaranteed net profit might be based on the assumption that each inhabitant spends only 26 Swiss francs per annum, which is the figure now obtaining in Austria. Such a figure would yield a net profit of 657,000,000 gold marks.

To recapitulate: The guaranteed revenues for the payment of reparation which Germany might obtain by the tobacco tax would be as follows: 1924-25, 498,000,000 gold marks, German estimate; 1925-26, 657,000,000, German estimate; 1926-27, 657,000,000, German estimate; 1927-28, 856,000,000, German estimate. A considerably larger sum can be realized from the German duties while decreasing the burden falling on the German consumer. The less efficient factories will be eliminated and substitutes will be abolished, surplus profits of the intermediaries will be reduced, leaving them nevertheless a reasonable margin. Without introducing the monopoly reform standard factories will be instituted, one or two factories to control costs and a few selling shops, and the sales will be strictly disciplined.

The proceeds would be paid in periodically by the service of assigned revenues either: In the case of the adoption of the assiette suggested by the technical experts on the basis of 60 per cent. of the gross revenue, as the technical experts themselves have calculated that 40 per cent. represents purchase price of manufactured tobacco, plus cost of distribution, &c., the remaining 60 per cent. represents an absolutely net profit from the duty; or otherwise on the basis of a sum in gold marks for every kilogram of tobacco taxed according to the various chief qualities of the tobacco, this sum to be fixed by the technical experts.

Indirect Taxes.

Generally the rates appear to the committee to be unduly low and as prosperity grows to be susceptible of increase without diminishing consumption.

Turnover Tax.

It is our general opinion that this tax should at the earliest possible moment be somewhat reduced in favor of other forms of taxation.

Taxes on Motor Transport.

It is considered that the present total burden is too low and that a substantial further sum might be raised without detriment either by a tax on petrol or a supplementary duty on motor cars or by a combination of these means.

Death Duties.

The yield from these duties is extraordinarily low judged by almost any standard. It is not satisfactorily accounted for by the temporary depreciation in capital values which is due to lack of profits and trade output. Not only is the total yield low, judged by any test as to capital values, but the actual rates of duty being imposed are also, in the committee's judgment, inadequate. While not unmindful of the effect of the relation between these duties and the capital tax in general, the committee thinks that the position disclosed in the following table compiled by the German Government indicates that there is considerable room for increased taxation under this head. It will be observed that where the rate in Germany is nominally higher than that in other countries it is in those scales where the tax may be least influential in its effect upon total yield.

Annual taxation on capital in the committee's judgment tends to become a part of the income tax system and to discriminate between income derived from work and that derived from investment. In this case, therefore, taxation of capital by annual payments is in a different category from ordinary succession duties. (The report here refers to tables of the fiscal burden constituted by the death duties in Germany, Belgium, Great Britain and France, comparing the inheritance taxes in the countries above mentioned for a wife with three children, for a brother and for a person next of kin.)

Control of Revenues as Security.

It is necessary to elaborate in rather fuller detail the recommendations which we have made in Part I of this report for the assignment of the taxes, etc., on tobacco, alcohol, sugar, beer and of the customs revenue as security for payment of the sums charged annually on the German budget.

As regards the years 1926-27, 1927-28 as already indicated, the assigned revenues will play a special part in our plan. They will not only serve as a guarantee to creditor, but also as a means of measuring the contingent addition to or deduction from the total amount of reparation payments laid down in the plan. If the yield of these revenues falls short of \$1,000,000,000 in 1926-27 or \$1,250,000,000 in 1927-28 the reparation payments will be finished by an amount equal to one-third of such deficiency. On the other hand, if they exceed those limits there will be an additional payment equal to one-third of the excess. Both deduction and addition, however, are limited to an amount of \$250,000,000 in each year. In 1928-29 and subsequent years the amount of Germany's obligation is fixed by the standard payment plus supplementary payment and into the computation of the latter the increased consumption of these taxed articles will enter. The total yield of the controlled revenues will be paid into the account of the agent for reparations payment as from the time when the plan is put into execution.

In the first year in which there is a charge on the budget and in all subsequent years the amounts required to meet the charge will be retained and the balance will be periodically released to the German Government. We propose that there should be one Commissioner to supervise the controlled revenues, and under him a Subcommissioner for each of the five controlled revenues. In order that the Reparation Commission may be in a position to secure an officer of the greatest experience and efficiency as Chief Commissioner, the area of selection should be as wide as possible, and not confined to the allied countries. He should have the assistance of a consultative and advisory committee, on which each of the interested allied countries would be represented. The various German services of the assigned revenues would be obliged to deposit through the receiving offices immediately on receipt the amount received under the head of the revenues in question at the nearest branch of the central bank acting as treasurer.

(A) Funds—The separate branches should pay the sums into the central bank to an account at the disposal of the Commissioner, who should afterward provide for the periodical "reversements" to the German Government of sums in excess of the proportion of the year's peace treaty payments accrued to date.

(B) Audit—The Commissioner would impose such methods of independent audit as he might desire to ascertain that all assigned revenues: first, were properly obtained from the public, and, second, flowed through the control administration.

(C) Detailed Responsibility for Management—He would not be obliged to assume responsibility for detailed administration except in the case and in the manner indicated below. It would be his duty to see at all times that the administration was reasonably efficient and the accounting system honest and accurate. But since the interests of the Allies are not affected so long as the revenues are sufficient, with an adequate margin to meet the annual charges, it would not be his duty in such circumstances to interfere with the details of control. He would therefore not normally be obliged to insist on the exact tariffs or the exact form of administration which would in his view secure the utmost yield, and he would not therefore be obliged, unless the need arose, to assume the responsibility of detailed direction with the administrative expense on staff, &c., which that would involve, nor would he be required to have such an elaborate and expensive accounting and calculating personnel as would enable him to

certify that every mark was accurately accounted for, which is obviously a very different thing from seeing that the system is honest and efficient.

If the need arose his control would become automatically more active, more responsible, more difficult and of necessity more expensive. For if the revenues were in danger of being insufficient it would be his duty to take every possible measure to increase their productivity. This increase in the active character of the control would be in exact proportion to the need for it. He would thus reform and direct administration in detail only if and so far as necessary.

(D) The technical control would consist in the ordinary course of the right to obtain all information and examine all books; to visit and inspect the factories subject to duties and to ascertain that approved standards are maintained; to send experts to report and advise and in case of actual necessity arising to exercise detailed control; to propose higher technical standards; to require prior advice of all administrative regulations.

In settling the constitution of the control body it should be borne in mind that it may be concerned with the issue of bonds guaranteed by the said assigned revenues if it is desired to create an international bond other than the railway one.

The German Government should be asked not to reduce the rate of the assigned revenues without the consent of the Commissioner, which would not be given until the consultative committee had had an opportunity of considering the proposal and approved it by a majority.

On the other hand, it is considered necessary that the German Government should be encouraged, regard being had to the rates prevailing in other countries, to effect increases in the taxation of alcohol, beer and sugar.

The above system makes it unnecessary, in relation to the problem of security, to insist on an increase in any particular tax, though we suggest to the German Government that it is to their interest, especially having regard to the rates prevailing in other countries, to effect increases in the taxation of alcohol, beer and sugar. But all interference in the German Government tariff policy is to be avoided.

To sum up this subject, we would lay down the following general principles:

First, the main lines on which the control should work ought to be decided by the countries interested. These main lines, establishing the principle of a control developing automatically as required and becoming a complete control as soon as the revenues appear to be insufficient, should, therefore, be laid down in protocols signed by all the countries whose interests are mainly involved. Second, these main lines should be elaborated into detailed instructions by international experts in practice of the nationalities of the countries interested. Third, with this safeguard the execution of the control is entrusted to a single impartial person with the necessary staff so as to secure the rapid and consistent administrative decisions required for an efficient control. Fourth, his responsibility to the Reparation Commission should not be of a day-to-day order, but a periodical report should be made by him upon the condition and yield of the gage revenues. Fifth, in the event of the revenues for a given year proving insufficient the whole system outlined in this scheme, working of the railways, a mortgage on industrial property, the control of the revenues assigned as security, will be prolonged as required for the purpose of making good the deficit.

ANNEX I.

Bank of Issue.

The annex providing for the bank of issue reads as follows:

"Plan for the organization of a bank of issue in Germany.

"Name and Location—The bank hereinafter designated as the new bank shall bear a new and suitable title, unless in conformity with Paragraph B, Section III., below, the Organi-

zation Committee shall decide to use the Reichsbank for putting the present plan into operation. It shall be a private corporation and its charter shall be for fifty years. The new bank shall have its principal office in Berlin and such branches and agencies as its managing board shall determine.

"Capital—(a) The bank shall have a cash paid-up capital of 400,000,000 gold marks, which shall be in registered or bearer shares of 100 marks each. These shares shall be issued as follows: 1,000,000 shares to represent the assets of the Reichsbank; 3,000,000 shares for subscription in Germany and abroad. (b) All shares shall be alike, and after the initial subscriptions have been accepted no restriction shall be imposed upon their purchase and sale other than such general restrictions of German law as shall apply to the purchase and sale of shares of other banks. (c) Shares, whether sold in Germany or abroad, shall be paid for entirely in gold and (or) foreign bills at their current gold values. (d) Subject to the preceding provision of this section, the shares of the new bank shall be allotted and sold on such terms as to prices, times of payment and other conditions as are most advantageous to the bank."

The plan provides for a temporary organization committee, to consist of the President of the Reichsbank and one of the members of the Committee of Experts acquainted with the discussions which resulted in the drafting of the plan of the bank. This committee shall have power to interpret any ambiguities in the plan, provided such interpretation shall not interfere with the principles involved. It shall also have power, "if it deems wise, to carry out this plan by the transformation of the Reichsbank under suitable legislation rather than by the organization of a new corporation."

The committee shall frame the statutes regulating the administration of the bank.

"Administration and Management—The bank shall be administered by a managing board under the Chairmanship of a President, all of whom shall be of German nationality.

"The President of the Bank—(a) For the purpose of this memorandum only the Chairman of the Managing Board and of the General Board is hereinafter called the President. He shall be the managing director of the bank. Subject to the limitations imposed by law, he shall perform such duties as are assigned to him by the bank's statutes. (b) The President may be elected from among the members of the General Board or chosen from outside the board. The election by the board of a non-member as President shall operate to vacate automatically the seat of that German member of the General Board having a term of two years or more yet to run whose election was obtained by the smallest share vote unless some other member of the General Board having a two years' term or more shall resign at the time and his resignation be accepted by the board. A President elected from outside the General Board shall by the fact of his election become a member of the board. (c) The first President shall be the President of the Reichsbank; his term of office shall be six months. Subsequently the President, who must be of German nationality, shall be appointed by a majority vote of not less than nine members of the General Board, of which majority at least six votes shall be the votes of German members. This appointment shall be countersigned by the President of the Reich."

Organization of the Board.

The administration of the bank shall be entrusted to a Managing Board under the Chairmanship of the President. It shall adopt decisions by majority vote, and in particular it shall direct the currency discount and credit policy of the bank.

"The members of the Managing Board shall be appointed by the President for a period to be fixed by the Organization Committee subject to the approval of the General Board, whose decision in this connection shall be adopted by a majority of nine votes, at least six of which shall be given by the German members. These

appointments shall be countersigned by the President of the Reich.

"The members of the Managing Board shall occupy no other remunerative post, neither shall they accept any honorary post without the previous consent of the General Board.

"There shall be created a General Board consisting of fourteen members, hereinafter called the members of the General Board. One-half of these members shall be of foreign and the other half of German nationality. Each member of the General Board shall be chosen for a period of three years, except in the case of the first election or appointment. In the case of the first term of office three German members and three foreign members shall serve for a term of one year; two German members and two foreign members shall serve for a term of two years, and two German members and two foreign members shall serve for a term of three years. At the first meeting of the General Board chosen the members shall decide by lot the term for which each shall serve, namely, one, two or three years. Subject to the provisions of Paragraph B of this section and to the provisions of this plan that apply to all members of the General Board, members of German nationality shall be chosen in such a manner and under such conditions as the stockholders of German nationality shall decide in accordance with German law."

The plan provides that the manner of selecting the first group of German members shall be determined by the Organization Committee, but no plan shall be adopted for the first selection of German members that is not approved by the President of the Reichsbank. The foreign members of the first General Board shall be appointed by the Organization Committee with due regard to their professional qualifications and financial experience. The Organization Committee in making appointments may consult the principal foreign banks of issue and/or any other authorities in financial matters whose advice it may desire.

"In the case of vacancy," says the report, "in a position of a foreign member of the General Board arising from death, resignation or other cause there shall be a new election of another person of the same nationality to fill the vacant place. This election shall be by the foreign members of the board who are in active membership at the time this election is held. Unanimity less one vote shall be necessary for an election.

"The new member shall always be chosen from among the nationals of the country of the member whose vacancy he is to fill. Before electing any foreign members of the board, the board shall consult with reference to said election the Central Bank of Issue of the country whose national is to be chosen and/or any other financial authorities of that country whom it may desire to consult."

The foreign members shall be chosen, one from each of the following nationalities: British, French, Italian, Belgian, American, Dutch and Swiss. The number of German members may be increased on the unanimous vote of the General Board. No Government official or other person receiving compensation from the German Government or from any foreign Government shall become a member of the General Board.

"Except as otherwise provided for by the banks, statute decisions of the board shall be a majority vote of ten members or by a simple majority vote if the President and the Commissioner are included in the majority.

Election of the Commissioner.

"The Commissioner, who shall be a foreigner," the plan provides, "shall be elected by a majority vote of not less than nine members of the General Board, of which majority at least six votes shall be those of foreign members. The Commissioner's term of office shall be fixed by the Organization Committee.

"The Commissioner may be elected from among the members of the board of foreign nationality or may be chosen from outside the board from citizens of any one of the foreign countries represented on the board. The elec-

tion by the board of a non-member to the position of Commissioner shall operate to vacate automatically the position of the citizen of the country for which the Commissioner is a citizen. A Commissioner elected from outside the board shall by the fact of his election become a member of the board."

The powers of the Commissioner are set forth as follows:

"It shall be an essential duty of the Commissioner to enforce the provisions of the law and the statutory regulations relative to the issue of notes and the maintenance of the banks' reserves which guarantee that issue. To this effect the Commissioner shall have the right to have furnished to him all statistics and documents which he may deem useful for the accomplishment of his task, and whenever it appears to him necessary he may make any investigations either in person or through his assistants. He shall be entitled to be present at the meetings of the Managing Board in Berlin.

"The office intrusted with the custody of the reserve of notes shall only deliver notes when authorized by the Commissioner so to do.

"The Commissioner shall be bound to the greatest secrecy in regard to all information he may obtain on the commercial operations of the bank."

The plan then provides in much detail for loans, discounts and investments, no loans or discounts in excess of three months, and that no notes or bills shall be discounted bearing less than three names of known solvency. No loans or advances are permitted on real estate, mining property, oil property or stock shares, nor on the security of Government obligation except as otherwise provided in the plan, such as long term bonds of the Reich as collateral for loans with maturities not exceeding three months, or if the loans bear two responsible names in addition to the collateral, one of these names being the name of a commercial bank doing business in Germany. The bank shall make no loans, discount or other advances directly or indirectly to the German Reich, any German State, communes or other German governmental units or to any foreign Governments or governmental units, nor shall it invest its funds in the bond debentures or other debt of any such governmental unit except as otherwise specifically authorized by its constitutive law.

The deposit accounts and current accounts in the bank of the German Reich, the German States, the German communes or other German governmental units shall never show a debit balance. The bank shall not accept time bills of exchange drawn against it. The bank may not buy or sell merchandise, produce, real estate or stock shares of other corporations for its own account.

The service of the Reich's Treasury as provided for in Section 10 of the plan is textually as follows:

"(a) The Managing Board is authorized to make advances from time to time to the Reich, but the amount outstanding at any one time shall never exceed 100,000,000 marks. Such advances shall in no case be for a longer period than three months, and in no case shall the Reich be indebted to the bank at the end of the bank's financial year, which shall coincide with that of the Reich. In consideration of these facilities the Reich and its Treasury shall conduct all their domestic and foreign banking business through the medium of the bank. (b) The Managing Board shall also be empowered to grant advances to the Post Office and the railways for reasonable amounts on condition that these organizations shall entrust the bank, except in so far as the bank might modify this condition, with the whole of their Treasury service, but the total amount of loans outstanding to the Post Office and the railways together shall never exceed 200,000,000 gold marks."

The bank will receive on deposit sums paid for reparations, it being understood that the relationship between it and the committee entrusted with reparations receipts shall be solely those of banker and customer. The maximum amount to be held on deposit for reparations

account shall at no time exceed 2,000,000,000 marks.

Right to Issue Banknotes.

Provisions concerning banknotes are: "(A) The bank shall have the exclusive right of issuing and circulating banknotes in Germany during the period of its charter. (B) The German Government may not itself issue any kind of paper money for circulation in Germany during the period of the bank's charter, nor shall it permit any German State, commune, city, other governmental unit, corporation or private individual to issue or circulate paper money in Germany during the period of the bank's charter, with the exception of the banks of Baden, Bavaria, Saxony and Württemberg, which shall retain their charter of issue for sums not to exceed their present legal quota. The notes of the Rentenbank shall be gradually withdrawn from circulation under the conditions prescribed in Section 15 and the appendix hereto. (C) During the period of the bank's charter the Reich shall not issue any coins for circulation in Germany (except gold coins containing approximately their full value in gold metal) of a larger denomination than 5 marks and shall not issue coins of 5 marks or less in excess of 20 marks per capita of her population. All coins other than gold coins issued by the Government shall be issued through the bank. They shall be received by the Government in unlimited quantity at their nominal value in payment of all taxes and other Government dues.

"(D) The bank may issue notes for circulation against gold coin or bullion, statutory discounts as defined in Section 9, demand credits in foreign banks and foreign commercial trade bills with maturities of three months or less taken at their present gold values at current rate of exchange.

"The notes of the bank as well as metallic currency shall be receivable in unlimited quantities for all taxes and other Government dues in Germany. The notes shall be unlimited legal tender unless otherwise specifically provided by contract, for all debts, public and private. The notes of the bank shall be accepted at their nominal value for all payments made to the bank both at the head office of the bank in Berlin and at all branches of the bank located in Germany. Notes shall be payable to bearer at the head office of the bank in Berlin on presentation. The notes shall also be payable on presentation at the other offices and branches of the bank to the extent permitted by their cash reserves and monetary requirements.

"Payments may be made in any of the following forms, at the option of the bank:

"1. German gold coins of the present legal standard of weight and fineness at par; (2) gold bars in denominations of not less than 1,000 gold marks and not more than 35,000 gold marks at their pure gold equivalent in German gold coin of the present legal standard of weight and fineness; (3) demand drafts payable in gold or in foreign currencies at current market gold values and drawn on funds located abroad in solvent banks to be specified by the banks' status, provided that the premium above the gold bars or gold values in the case of currencies not on a gold basis charged by the bank for such drafts shall never exceed the amount necessary to cover shipping expenses, including interest, for the time of transit on gold bars shipped in substantial quantities from Berlin to the foreign financial centre on which the draft is drawn.

"The committee is of the opinion, however, that at the inception of the bank conditions it will be unfavorable for the application of the above rule of convertibility. In this event this rule may therefore be temporarily modified by the affirmative vote of every member but one of each of the following groups: (1) The Organization Committee, (2) the Managing Board, (3) the General Board. In case of such modification the bank shall make all possible efforts and use all the means at its disposal in order to maintain the rate of exchange of the mark at as near gold parity as possible. Further-

more, in case of modification of the above-mentioned rule of convertibility of notes, a return to convertibility will be permanently established as soon as possible by a simple majority vote of the General Board and of the Managing Board."

Reserves Required of the Bank.

The bank is required to carry a normal reserve of at least 33 1-3 per cent. of the total amount of its notes outstanding, subject to the following qualification in exceptional circumstances: The reserve against notes may be reduced below 33 1-3 per cent. on the proposal of the Managing Board by a decision of the General Board, but said decision of the General Board shall require the affirmative vote of every member of the board save one.

"The net profits of the bank," says the report, "at the end of each financial period shall be employed as follows:

"(A) 20 per cent. shall be transferred to surplus or reserve until the bank's actual net paid-up capital and surplus shall amount to 12 per cent. of its average liabilities on circulating notes on the 15th day of the six preceding months. If the ratio shall again fall below this 12 per cent. the above-mentioned allotment of 20 per cent. of the net profits to surplus or reserve shall continue. When and so long as the ratio of the bank's net capital and surplus or reserve to its average liabilities on circulating notes as above computed shall exceed 12 per cent. the bank may use its discretion as to the percentage of its net profits it will transfer to surplus or reserve, provided that the percentage thus transferred shall never exceed 20 per cent.

"(B) A sum shall be assigned to the payment of dividends sufficient to pay 8 per cent. per annum on the bank's shares.

"(C) The balance of the net profits shall be divided as follows: One-half to the shareholders in dividends or to a special fund to be used for the maintenance of a uniform dividend policy; one-half to the Government as a franchise tax for the bank's exclusive privilege of issuing circulating banknotes.

"The dividends of the bank and other income derived from its capital shares owned by foreigners residing abroad shall be exempt from all German income taxes present and future, provided that this exemption shall not apply to general taxes imposed in Germany upon the real property of the banks in general. The bank, however, in consideration of the percentage of profits accruing to the Government shall not be subject to any corporation tax or business tax levied in Germany by the Reich, the States or any other governmental unit. Such privileges not inconsistent with this plan now enjoyed by the Reichsbank as may be specified by the Organization Committee as desirable and advantageous to the new bank shall be given to it."

Measures to be taken by the German Government for the execution of the plan are "all the undertakings which the German Government will have to enter into in connection with the bank for the execution of this plan, including the assignment for the withdrawal of the rentenmark, of funds to be received from the Rentenbank's mortgages, shall be embodied in a special contract between the bank and the German Government. This contract, as well as the statutes of the bank, shall be duly approved by the German Parliament."

ANNEX II.

Index of Prosperity.

Annex II. covers the "suggested index of prosperity." It says:

"In addition to the standard contribution already referred to there shall be paid for 1929-30 and following years a supplementary sum according to the growth in prosperity of Germany. This increase in prosperity for any year shall be measured by the extent to which the index as defined below on the statistics of the completed preceding year exceeds the average statistics of the base years.

"Components of the Index—For the purpose of computing the index the following statistics shall be employed: The total of German exports and imports taken together; the total of budget

receipts and expenditure taken together, including those of the States of Prussia, Saxony and Bavaria, after deducting from both sides the amount of the peace treaty payments included in the year; railroad traffic as measured by the statistics of the weight carried; the total money value of the consumption of sugar, tobacco, beer and alcohol within Germany measured by the prices actually paid by the consumer; total population of Germany computed from the last available census data, vital statistics and emigration records; the consumption of coal and lignite reduced to coal equivalent per capita.

"The Index Base—In computing the base the average statistics for the three years 1927, 1928 and 1929 shall be taken for budget receipts and expenditure for population and for coal consumption per capita and for the six years 1912 and 1913, 1926, 1927, 1928 and 1929 for the other categories after appropriate adjustments for the differences in population and the altered gold values to make the three earlier years comparable with the three later years in this respect. The percentage change for each of these six groups compared with the base shall be separately computed and an arithmetical average of the six percentage results taken as the index.

"Payment to Which the Index Is Applied—The index percentage shall be applied to the amount of the standard payment, viz., 2,500,000,000; to give the supplement for the year, except that for the five years 1929-30 to 1933-34 it shall apply to 1,250,000,000, or one-half of the standard payment only.

"Changes in the Value of Gold—The German Government and the Reparation Commission should each have the right in any future year, in case of a claim that the general purchasing power of gold as compared with 1923 has altered by not less than 10 per cent., to ask for a revision on the sole and single ground of such altered gold value. The alteration to be made may apply both to the standard contribution and the supplementary payment. Failing mutual agreement a decision should be given by an arbitral committee appointed by the League of Nations. After decision the altered basis should stand for each succeeding year until a claim be made by either party that there has again been a change since the year to which the alteration applied of not less than 10 per cent. The alterations under this paragraph should be made by reference to such generally approved index numbers of prices (German or non-German) singly or in combination as the arbitration may decide."

ANNEX III.

Special Report on Railways.

Annex III. of the first committee of experts begins with a general report on German railways made by Sir William Ackworth and M. Leverve. The first committee of experts attaches to this report a note reading: "Of the assets and revenues of the German Reich and its constituent States subject to the application of Article 248 of the Peace Treaty, the German railway system is undeniably the most important and also that which can be most easily utilized for the purpose of reparation. The German railway system comprises about 53,000 kilometers of lines and the rolling stock will very shortly amount to locomotive engines (excluding electric and motor engines), 30,850; passenger vehicles, 69,253; wagons, 748,753. A considerable portion of this rolling stock is of recent construction. Two-thirds of the whole 18,000 locomotives and 500,000 passenger vehicles and wagons were brought into service in the last ten years. The rolling stock at present possessed by the German railway system is very superior both in quality and quantity to that which was in use before the war. Speaking generally, it may be said that the equipment of the German railways is modern and fully up to the level of the latest improvements in railway technique. The capital cost of the system amounts to not less than 26,000,000,000 gold marks. The experts called in the services of eminent railway specialists and requested them to make a study of the German railways. Their report is attached."

German Railway Investments.

Significant paragraphs of the report by Sir William Ackworth and M. Leverve are:

"Capital Invested in the German Railways—In a preliminary report we stated that the capital value of the German railways might safely be taken at not less than 20,000,000,000 gold marks. An official publication shows that the debt of the several States specifically entered as railway debt, less that portion of it applicable to the ceded territories, amounted in 1914 to 17,930,000,000 gold marks. In March, 1920, at which date the railways were transferred from the ownership of the several States to that of the German Reich, the invested capital was reckoned as 28,280,000,000 gold marks. This large increase is explained by the fact that at the date of the transfer (a) the value of the railways of the separate States was written up to conform to the real amount of capital that had been invested in them, much of which had never been or had ceased to be represented by railway debt; (b) there was added to the old capital the value of the additions made during the war. Between March, 1920, and March, 1923, the capital invested was further increased to 25,860,000,000 gold marks. The expenditure for the current year and that which will still need to be incurred in payment for commitments already entered into will put the final figure well over 26,000,000,000 gold marks.

The above figures represent capital invested, which is sometimes a very different thing from capital value. But in this case the capital value of the German railway system, which comprises 53,000 kilometers at 500,000 gold marks per kilometer, may be taken to be fully equal to the capital invested. Now a large part of the system is double tracked. The lines, stations, yards and buildings have been constructed to high standard and they are very amply equipped with up-to-date rolling stock. A comparison with the capital cost per kilometer of the railways of other important countries, taking account of all the factors on both sides, gives good grounds for saying that the German figure of investment is by no means an excessive representation of actual cost.

"Net Revenue Attainable—We think that a net annual revenue of 1,000,000,000 gold marks can reasonably be expected from the German railways. This is very slightly more than the net revenue earned before the war, but it was then earned very easily. No attempt was made to maximize net revenue, which was much more than sufficient to meet the interest on the railway debt.

Profits From the Railroads.

"It may be thought—seeing that for some years past the gross receipts of the German railways have not covered their expenses and that recently the expenditure was several times as great as the receipts, while even now the earnings are only equal to the expenditure—that this estimate of ours is unduly sanguine. But it is to be remembered that since the war almost every country has gone through a similar experience. Even in the United States, where there was no currency depreciation, the net income of the railways in 1920 was almost negligible, whereas in England, where currency depreciation is quite small, the receipts in 1921 fell short of the expense.

"But in both countries the situation has now completely changed, and if in other countries the railways have still not regained financial equilibrium experience sufficiently shows that this phase is only temporary. And Germany has one special circumstance of the first importance in her favor. On the railways of England and America the wages of the railway staff are, roughly, double what they were before the war. No such advance has taken place in Germany. On the contrary, the average wage is at present, we are informed, only 75 per cent. of the pre-war wage. It is proposed in the current year to increase this to 93 per cent. of the pre-war average. But there is no prospect of any such increase above the pre-war standard as has taken place in the two countries men-

tioned. And this for two reasons: The cost of living has not increased in Germany as it has there and, as German wages in other occupations have not risen, railway wages do not compare unfavorably.

Transport Tax Added.

"Naturally we do not suggest that a milliard of net revenue is attainable at the outset, but we think a substantial sum can be obtained very shortly and that the full amount should be reached within a period of three years. It should be arrived at in the manner following:

"During the war there was imposed in Germany as in other countries a transport tax. This tax still continues to be levied. It is included in the rates charged to the public but is paid over by the railways direct to the Finance Ministry and forms, therefore, no portion of the railway revenue. It is a tax on the gross receipts and is fixed at 7 per cent. on all receipts from freight traffic other than coal and at 10 per cent. to 16 per cent., according to class, on passenger traffic. On the average it amounts to 6 per cent. of the total gross receipts. It is estimated to produce in the year 1924 227,000,000 gold marks. If in future years the traffic increases or if the same volume of traffic is charged at a higher rate naturally the proceeds of the tax will increase proportionately. It seems safe to assume that its yield will not fall below the present figure.

"Moreover, as it is levied on the gross and not on the net income it is independent of any variations in the cost of operation. If, as we recommend, the German railways in future are required to pay over the proceeds of this tax to the Reparation Commission the commission will have from the outset a safe and important source of revenue at their disposal.

"There remains a sum of 800,000,000 gold marks in round figures to be obtained, and it can, in our judgment, be obtained as net profit on the railways on conditions that the tariffs are fixed at a reasonable level, that the number of employees is reduced to a reasonable figure and that in all other matters curtailment of expenses is secured by economical operation on business lines. Before the war the German railways spent 70 marks for every 100 marks which they earned. In technical railway language the 'operating ratio' was 70 per cent. This was an unusually high ratio, especially having regard to the fact that the railways paid no taxes. It was a good deal higher than the English ratio, much higher than the ratio in France. But in every country there has been since the war a marked increase in the ratio and we do not think that under post-war conditions the German railways can be expected to operate at a ratio so low as 70 per cent. Not only have they now to bear the transport tax, but though a great rise in wages—the main cause of the rise of the operating ratio in other countries—is not to be expected in Germany, the increased cost of materials, coal and steel particularly, seems likely to be permanent.

"We think, however, that an operating ratio of 80 per cent. ought to be attainable. We base this opinion, in the first place, on our investigation of German conditions and especially on two facts: First, that new rolling stock has been acquired in the last few years in such large measure that the need of repairs and renewals will be exceptionally small for some years to come, and, second, that the recent very large expenditure on fitting the freight wagons with continuous brakes should result in important operating economies. In the second place we think our knowledge of what has happened and is happening in other comparable countries justifies us in asserting in broad terms that given efficient and economical management there is no apparent reason why the operating ratio should not be brought back in a short time to 80 per cent. in Germany as it has already been brought back elsewhere, in England and America. As we have said the wages of the staff have doubled, but the tariffs are only roughly 50 per cent. above the pre-war tariffs, with the result the

operating ratio has become much higher than before and stands at present at about 80 per cent. But the remaining 20 per cent. calculated on a greatly increased gross revenue suffices to give a return of over 4 per cent. on the railway capital.

1,000,000,000 Marks Available.

"Now in Germany a gross revenue of 4,000,000,000 gold marks per annum is in sight. At the present moment with a gross revenue of 4,000,000,000 gold marks per annum and an operating ratio of 80 per cent. the net revenue would be 800,000,000 gold marks, and this sum added to the 227,000,000 gold marks of the transport tax yields a total of over 1,000,000,000 gold marks and the whole of this sum can be made available for reparation.

"The fall of the mark has wiped out the pre-war railway debt. The plan before the committee will, we understand, relieve the railways under the new management of responsibility for the debts recently incurred and capital has been so lavishly spent in the last few years that there can be no justification for further expenditure for some years to come. In future years we assume that under commercial management new capital will not be spent unless with the assurance that the resulting profits or economies will at least suffice to meet the interest."

The experts estimate that the net revenue apart from the transport tax and after providing for building up of an adequate reserve will increase as follows: First year, 400,000,000 gold marks; second year, 550,000,000 gold marks; third and fourth years, 700,000,000 to 750,000,000 gold marks; fifth and subsequent years, 800,000,000 gold marks.

The measures to obtain these results are described as follows:

"It is evident, in the first place, that the railways in common with every other German undertaking can only give satisfactory results if the currency is stabilized and political and social tranquillity prevails. As for the measures to be taken to obtain the results indicated above we may repeat the railways must be worked as a commercial enterprise, that is to say, with the determination, on the one hand, so to fix the rates as to produce all the receipts that can be obtained, and, on the other hand, to reduce the expenditure to a minimum.

"The management of the German railways has hitherto been far from working to this standard. We shall show later that since the war the tariffs both for passenger and freight have been kept too low, with the object of encouraging industry and commerce and especially of favoring German export. The tariffs are still regarded as they were before the war, primarily as a weapon in the hands of German trade and only secondarily as a source of railway revenue. On the other hand, the expenditure on rolling stock and works of every kind has been extravagant since the war and the staff employed is at the same time much too large and badly paid.

"It is therefore indispensable to make a radical change in the policy followed by the railways hitherto. But we do not believe that any German management will have the strength necessary to fight successfully against the traditional mental attitude unless there is behind it the constant pressure of an expert control established and maintained in the interests of the Allies to supervise the management in the matter both of tariffs and of expenditure.

New Organization Essential.

"Further, we regard a complete change in the organization as essential. We think that the recent establishment of a separate undertaking with a separate budget and with a certain measure of independence, though it is a move in the right direction, does not go far enough. The undertaking, though separate, still remains a Government undertaking. In our judgment it is necessary to go further, and while leaving to Germany the ownership of the railways to entrust the management for a period of years to a commercial company which will be German,

but with a board of directors containing representatives both of the shareholders and of the creditor allied powers. What this period of years should be, how the company should be constituted, with what powers and with what restrictions, is a matter which we understand the committee itself will deal with. We need only urge that the company and its management must have adequate freedom in the matter both of tariffs and operation. And if we may vary the phrase of Dr. Sarter, we think that a commercially managed railway company ought to treat the attainment of an adequate net revenue as of primary importance, while at the same time having regard to the progressive development of the economic life of the country and being careful not to kill or even impair the productive capacity of the goose that lays the golden eggs.

"Moreover, as we have already said, the financial result which we have mentioned can only be attained on condition that the entire German railways are either united in one system under a single management or divided in a reasonable manner into several systems working in harmony with the same tariffs and under the same general regulations. If we had to contemplate separate systems wholly out of harmony with one another, the results obtained would certainly not correspond to our estimate of the net revenue obtainable. Though that estimate assumes the existence of an undivided German railway system, it will, of course, be understood that in making this assumption we do not express any opinion as to the course of action which the allied Governments may think it desirable to adopt or on the general question of military or economic guarantees for reparation and security.

"Finally, our estimate takes for granted that the railways will not be required to carry traffic for the Government or the community unless their services are paid for at a commercial rate. Hitherto the German railways have carried free for the Post Office not only mails but parcel traffic. The railways of Great Britain receive at the present time from the Post Office payments for similar though smaller services amounting to more than £4,000,000 per annum. There are other instances of a similar kind but of less importance with which it is not necessary to deal here.

Heavy Expenditures Since the War.

"The expenditure incurred since the war for new works and especially for rolling stock has been very large. It has in our judgment gone much beyond the real needs of the railways. For rolling stock alone there has been charged against the various budgets a sum of more than 3,000,000,000 gold marks, which has enabled the railways to acquire more than 18,000 new locomotives and more than 400,000 new carriages and wagons. We think, therefore, that, broadly speaking, the capital account can be entirely closed for some years to come without any injury to the railways, but at the same time we must not fail to call attention to the statement of the German Government that the capital expenditure to be incurred in the year 1924 will amount to over 500,000,000 gold marks and that to complete the program a further expenditure of 236,000,000 gold marks will be required in 1925. We think that this program ought to be examined in detail and very drastically cut down."

The Ackworth-Leverve report then analyzes in much detail the present budgets of the German railways, with analysis of the traffic, the labor employed, the interest and repayment of debt, the extraordinary budget, the rolling stock, the freight tariffs and passenger tariffs. The report then continues:

"It is evident from the facts and figures set out above that the German Government has since the war run railways in a manner which cannot be defended. On the receipts side it has failed to raise the revenue which might have been and ought to have been raised. On the expenditure side it has spent capital not merely on restoring the pre-war situation, but on bet-

terments of all kinds which under the existing conditions cannot be justified. The railways have not merely been restored to their pre-war state of efficiency, but have been brought up to a much higher standard, a standard which to the best of our knowledge is superior to that of any other country. We are given to understand that even inside the Ministry itself this policy has been severely criticized.

"The excuse is that the pressure, on the one hand, of the great manufacturers to keep their works going and to avoid a wholesale dismissal of employes, which might lead to revolts or even revolution, was too strong to be resisted, while on the other side, the poverty of the mass of the population was so great that the Government was compelled to maintain railway rates at a low level.

"Whatever may have been the reason there can be no doubt of the facts. Our own view is that while the reasons above had considerable weight, the action taken was by no means wholly due to external pressure. The officials in the tariff section of the Ministry were, as we have repeatedly said, only too ready to subordinate railway interests to non-railway circumstances. And the executive officers, whether charged with engineering or traffic management, were afflicted with what it is not too strong to describe as megalomania. They regarded it as due to the dignity of the German Reich that buildings should be magnificent, that railway plants should be up to a very high standard, that such and such services should be given, and so on. They had never been taught the commercial necessity of cutting their coat according to their cloth.

"Now the mere transference of the railways from State to company management will not itself alter this mental attitude. A large part of the board will be German, the German Manager will be German and his responsible officials will be the same men who have inspired and carried out the railway policy of the past. We think it therefore essential that a Railway Commissioner should be appointed by and on behalf of the Allies to supervise and, if it should hereafter become necessary, to control in their interest the German management.

"We will therefore in concluding this report deal with what in our opinion should be the functions of the Railway Commissioner and the organization of his staff.

"The Railway Commissioner must be a person who is acknowledged in the railway world as being in the first rank. It must be left for him, when appointed, to say what assistance he needs in order to be able to assume responsibility for control of all branches of railway management. It will be his duty also to consider how far it is necessary to have local representatives in any or each of the districts into which the German railway system may hereafter be divided.

"A second function of the Commissioner will be to make for the foreign members of the board reports on any points which they may regard as of serious importance.

"We assume that, broadly speaking," say Ackworth and Leverve, "in this case the Commissioner General will take over the functions of the General Manager and that in lieu of discussing with the General Manager or recommending to the Board of Directors, he would be empowered to issue positive orders whether for stopping expenditure which he considered unjustifiable or for an increase which he considered reasonable in existing tariffs. It is evident that it would be necessary to require the German Government to agree in advance that if payment on the agreed scale failed to be reached or even if there was serious danger that this failure would occur in the immediate future, the Commissioner as the representative of the Allies, should be entitled to enter into full control."

ANNEX IV.

German Railway Concession.

Annex IV. deals with the concession of the working of the German railways to a company to be authorized by a law which will ratify a

contract to be entered into between the German Government and the company to which the concession is made. "The contract will provide," says the Annex, "that no change can be made in the conditions of the concession without the consent of the company and the trustee for the bondholders referred to below. The law will further provide that the company shall have a monopoly of all railway extension in Germany. The charter of the company will be annexed to and approved by this law before being submitted to the German Parliament. The law will have to be approved by the Reparation Commission." The conditions under which the working of the German railway system will be transferred to the company by this law shall be as set forth below. The company will be of German nationality. The company shall be responsible for the working, upkeep and normal development of the railways, including rolling stock and equipment, and will be entitled, subject to the provisions hereinafter contained as to the power of the German Government and the Railway Commissioner, to conduct its business in such manner as the company may think proper.

"The German Government shall have such control over the tariffs and service of the railways as may be necessary to prevent discrimination and to protect the public, but such control shall never be exercised so as to impair the ability of the railroad company to earn a fair and reasonable return on its capital value, including adequate provision for its bonds and preferred shares, a return on its ordinary shares and adequate reserves for all purposes, including amortization of capital.

"The plan to accomplish the foregoing shall be worked out by the organization committee hereinafter referred to. The company shall, as from the commencement of the concession, be entitled to charge the tariffs then in force; thereafter the company shall be entitled to vary the tariffs or any of them from time to time, subject to the provisions of Articles 365 and 378 of the Treaty of Versailles. It shall be the duty of the organization committee to settle the manner in which, subject always to the preceding provision, the control of the German Government over the service and the tariffs shall be exercised. The term of the concession shall be at least of sufficient length to allow of the amortization of the bonds according to the provisions hereinafter contained. On the expiration of the concession the company shall return to the German Government free from all charge the whole of the railway undertaking, including all rolling stock and equipment, in thoroughly good and complete working order.

Berlin to Consult German States.

"As the consent of the German States is necessary under the German law of 1920 for any alienation of or charge upon the German railways, the German Government shall make in this respect all necessary arrangements with the States concerned. These arrangements shall be ratified by the law granting the concession. This law shall confer upon the company the right to mortgage any property belonging to the railways. It shall also contain an undertaking that neither the Reich nor the States nor any public authority shall impose on the railway company any new direct tax whether upon receipts either gross or net or upon movable or immovable property or in respect of the employees of the company or otherwise howsoever."

The capital of the company is established as follows:

"The total capital which will be credited to the first mortgage bonds for 11,000,000,000 marks gold referred to below will correspond to the capital cost of the German railway system, 26,000,000,000 marks gold. Preference shares will be created to the amount of 2,000,000 gold marks, bearing a fixed rate of dividend and entitled to participation in the profits of the railways after payment of the annual payments mentioned below. This dividend and this participation, as also the terms on which the Ger-

man Government may pay off or repurchase these shares, will be fixed by agreement between the German Government and the Organization Committee described below. These preference shares will be sold by the company for the profit of the German Government and of the company itself. One-fourth of the sum thus obtained will be the property of the German Government and three-fourths the property of the company. The sales of shares will be made under such conditions that the German Government will receive the whole sum due to it within two years. If the German Government so requires the proceeds of the first sale of shares may be reserved for its use.

"The balance of the capital cost of the German railway system (viz., 13,000,000,000 gold marks), will be represented by ordinary shares to be owned by the German Government and to be kept or sold by it as it prefers."

The company will be administered by a board of directors of at least eighteen members who shall all be business men of experience or railway experts. Half of these will be appointed by the German Government and half by the trustee referred to below.

As soon as preference shares are issued to the public the holders of these shares shall be entitled to elect four members of the board in place of four members appointed by the German Government. As soon as the preference shareholders shall elect directors, the Chairman shall be chosen from the directors so elected. The Railway Commissioner shall be a person accepted in the railway world as being in the front rank. He shall be appointed by a majority vote of the foreign members of the Board of Directors. He shall not be a member of the board. His powers are fixed in considerable details.

Mortgage Bonds to Be Issued.

The bonds which are to be issued by the company are thus fixed: "The company shall forthwith after its creation issue without payment and for the purpose of repayment to a trustee appointed by the Reparation Commission, first mortgage bonds to a nominal amount of 11,000,000,000 gold marks, carrying interest at 3 per cent. per annum for the first financial year of the company, at 4 per cent. plus a bonus of 25,000,000 for the second, 5 per cent. for the third and subsequent years and to be amortized by a sinking fund as hereinafter provided. Payment of these bonds shall be guaranteed by the German Government and they shall be signed both on behalf of the company and by the Finance Minister, acting on behalf of the German Government. These bonds shall be secured by a first registered mortgage or charge on the corpus and revenues of all immovable property used by or belonging to the company present or future and by a first floating charge on all its fixed and movable plant, rolling stock and all installations. The company shall be authorized by the concession to create this mortgage and charge, the duration of which shall not be limited to the period of the concession.

"This mortgage and this first floating charge shall be expressed to be in favor of the trustee to be appointed by the Reparation Commission, provided always that the company and the German Government shall be entitled at any time, with the consent of the trustee, to sell or dispose of any particular property used by the railway company which may be considered to be no longer needed by the latter upon such terms as to the application of the proceeds of the sale as may be agreed upon by the trustee.

"The service of the bonds shall be assured by the following payments, which shall be made to the trustee from the gross receipts of the company and before the ascertainment of any net profits, that is to say: (a) for the first financial year of the company, 350,000,000 gold marks; (b) for the second financial year, 465,000,000 gold marks; (c) for the third financial year, 550,000,000 gold marks; (d) for the fourth and subsequent financial years, 660,000,000 gold marks.

"If in any year the German railways fail to realize receipts sufficient to allow of the pay-

ments above mentioned, it being understood that the company may draw upon whatever reserves may be available for this purpose until such reserves are exhausted, the Railway Commissioner shall have the right to take such action as the trustee for the bondholders may consider is necessary to protect the rights of the bondholders, including the right to operate, to lease or to sell all or any of the railways and property, subject to the mortgage or charge of the bonds.

"From and after the end of the fourth year from the date of the formation of the company the bonds shall be amortized under the conditions to be determined by the trustee with the approval of the Reparation Commission by the application in each year of such part of the annual payments above mentioned as shall not be required for the interest on the bonds.

Protection of the Bonds.

"The German Government and the company shall also be entitled at any time to pay to the trustee sums additional to the above payments, with the authorization of the Reparation Commission, which shall ascertain from the Transfer Committee that the transfer of those additional funds does not disturb the transfer of the annual payments. Any sums so paid shall be applied first to the discharge of any interest in arrears and next upon six months' public notice in redeeming at par all or any part of the bonds for the time being outstanding. The Reparation Commission shall be entitled with a view to the mobilization of the bonds to divide the same in any manner which it may think expedient into different classes with different rights (as to priority of charge rate of interest repayment of capital and otherwise) against the annual payments to be made by the company and to issue to the public upon such terms and generally in such manner as the commission may think proper, bonds, debentures, debenture stock, certificates of indebtedness or other securities of any nature secured upon the whole or any part of the bonds.

"The company shall not be able to issue other bonds than those referred to above without the authorization of a three-fourths majority of the members of the board, of which majority two must be foreigners. All payments of interest and capital in respect to the bonds shall be free from all German taxation except in so far as the persons entitled thereto may be liable under German law to the payment of German direct taxation. Subject as herein provided the form of the said bonds and all provisions as to the enforcement and repayment thereof, including drawings and giving time for payment, shall be settled by the trustee with the approval of the Reparation Commission.

"Enforcement of Government Guarantees—If the company shall at any time make default in meeting the service of the bonds the trustee may, in lieu of or in addition to the measures mentioned in the last preceding article, present the accrued coupons or any bonds due for repayment to the Commissioner of Controlled Revenues, who shall pay them at their face value out of the portion of the receipts of the assigned revenues falling to the share of the German Government. The coupons and bonds so paid shall be included at their face value in the repayments made by the Commissioner of Controlled Revenues to the German Government. The amounts so paid may only be repaid by the company to the Government after the necessary provision has been made for the current and the next coupons on the bonds and for the fixed dividend for the current year on the preference shares."

If all the first mortgage bonds should be redeemed before the expiration of the terms of the concession by special subsidy by the German Government to the company, the Government shall be entitled to require that the functions of the Railway Commissioner hereinbefore mentioned shall come to an end and that the foreign directors shall be replaced by German directors. In default of other arrangements the transportation tax shall continue to be paid to the Reparation Commission. The German Government shall in that case also have the right to purchase or repurchase the preference shares

at par plus dividend and arrears of dividend if accrued.

ANNEX V.

Industrial Debentures.

Annex V. gives the plan for industrial debentures, which is described as follows:

"The Amount and Form—The German Government shall provide bonds or debentures of industrial concerns to a total nominal value of 5,000,000,000 gold marks bearing 5 per cent. interest and 1 per cent. for sinking fund per annum. These bonds shall be the individual obligations of the several concerns and shall be secured as to principal, interest and sinking fund payments by a first mortgage on the plant and property of the respective concerns making them. The term industrial concerns shall include not only manufacturing concerns, but navigation, mining and any other similar concerns which the Organization Committee may indicate.

"Delivery to Trustee—The mortgage bonds or debentures above provided for, with suitable coupons covering the interest payments, shall be delivered by the German Government to the trustee to be appointed by the Reparation Commission, who will hold them, collect the coupons thereon, paying the proceeds into the account of the agent for reparation payments, or dispose of them in whole or in part from time to time, under the orders of the Reparation Commission. The debtor may make proposals to the trustee for their immediate or gradual redemption, and the committee recommends that the trustee be empowered to give preference to such proposals of redemption and especially those of which the redemption would be effected by the use of foreign currencies before offering such bonds in the open market or otherwise.

"In the event that no proposals of a satisfactory plan of redemption are made to the trustee by any individual maker of the bonds within six months after such bonds shall have been delivered to him by the German Government, then the trustee in his discretion but with due regard to the protection of the credit of the debtor, shall be free to dispose of the same in such manner and on such terms as the Reparation Commission may authorize.

"Guarantee by German Government—The German Government shall guarantee the principal, interest and sinking fund payments on such bonds. In consequence, in case of default, the matured coupons can be presented to the Commissioner of Controlled Revenues, who shall purchase them at their nominal value by means of the funds under his control which are destined to be paid over to the German Government.

"The Commissioner will include the coupons for their nominal value in the reversesments to the German Government, which will have recourse against the defaulting debtor. The German Government might by means of subsidies encourage the repurchase of the bonds by the mortgagors and thus free itself from its guarantee.

"Tax-exemption Provision—The said bonds and mortgages until redeemed shall be exempt from taxation in Germany unless they shall be held by German nationals, in which case they shall be taxed like other similar bonds and mortgages so held by German nationals and without discrimination."

ANNEX VI.

Transfer of Reparation Payments.

The transfer of reparation payments from German currency into foreign currency and the use of balances not transferred are described in Annex VI.

"The plan provides," reads the annex, "that all payments for the account of reparations, however derived, are to be first made in the form of deposits in the bank provided for in the plan to the credit of the agent for reparation payments. The withdrawals from this deposit shall be made by the agent for reparation

payments only under the direction of a committee composed of five members known as 'the Transfer Committee.'

"Composition and Selection of Members—The Transfer Committee shall be composed of six members. The agent for reparation payments shall be a member and the Chairman; the other five members shall be persons qualified to deal with foreign exchange questions. They shall consist of an American member, a French member, an English member, an Italian member and a Belgian member. Each of them shall be appointed by the Reparation Commission after the member of the General Board of the bank of the same nationality has been consulted."

An important article deals with attempts to defeat transfer, as follows:

"In the event of concerted financial manoeuvres, either by the Government or by any group, for the purpose of preventing such transfers, the committee may take such action as may be necessary to defeat such manoeuvres, and in such circumstances it may suspend the operation of Paragraph X., may accumulate the funds or employ them in the purchase of any kind of property in Germany."

It is provided that the German Government shall not tax the deposits in the bank or goods purchased for the creditor countries pending removal nor any securities nor loans representing investment of funds pending transfer.

Provisions for limiting accumulations are as follows:

"When the accumulation of funds not transferable under the provisions of subdivisions B and C of Paragraph IV. shall have reached the sum of 5,000,000,000 gold marks, whether represented by bank deposits or loans, the payment for treaty charges provided for shall be reduced to such an amount as will cover the transfers and payments provided for under subdivisions B and C of Paragraph IV. without additional accumulation. Such partial suspense of Germany's obligations shall be operative only during the period that the conditions of transfer necessitate and the standards of payment laid down in the plan shall be resumed at any time when they can operate without the limits of accumulation herein laid down being exceeded."

"The committee shall have power to suspend accumulation before reaching 5,000,000,000 gold marks if two-thirds of its members are of the opinion that such accumulation is a menace to the fiscal or economic situation in Germany or to the interests of the creditor countries."

ANNEX VII.

German Currency.

Annex VII. gives an account of the currencies circulating in Germany on Jan. 31, 1924. Much historical matter is given respecting the various legal tenders and auxiliary instruments of payment, such as the emergency currencies of the Reich, the Reichsbank, the private banks of issue and the railway paper marks for covering the working deficit.

ANNEXES VIII. AND IX.

Annex VIII. gives a provisional survey of the budget for 1924. It is described as only a preliminary estimate and given with all reserve. Detailed figures are given of possible tax receipts and expenditures.

Annex IX. gives the comparative position of different incomes drawn from dividends in the years 1920-21, 1923-24 and 1924-25. The annex consists largely of a question submitted to the German Government by the first committee of experts as to what amount of income tax or its substitutes plus the capital tax would be paid on four scales of income for the three years referred to.

The reply of the German Government explained that it was impossible to make reliable estimates of the kind desired, for various reasons, among them the depreciation of the currency. However, estimates of income according to the sliding scale set forth in the question are discussed in much detail.

THE McKENNA REPORT.

Germany's Foreign Assets.

In pursuance of a decision of the Reparation Commission of Nov. 30, 1923, we were created a committee to consider means of estimating the amount of German exported capital and bringing it back to Germany.

We were convened in Paris on Jan. 21, 1924, and have held altogether thirty-eight meetings, first in Paris, then in Berlin and finally again in Paris. We examined numerous witnesses and availed ourselves of the services of trained economists, technical advisers, experts and accountants. We have also studied the published works on the subject by well-known economists, and each member of the committee has furnished reports on particular problems.

Our instruments relate to Dec. 31, 1923. Later events may, of course, have either increased or decreased the amount of German capital abroad.

In our investigation of the amount of capital owned by Germans in foreign countries we were confronted by very considerable difficulties. There are many ways in which Germans can acquire capital abroad, but in most cases no precise figures can be given. It is nearly always a matter of estimate, and the utmost we could hope to do with any degree of certainty was to lay down limits between which the actual amount is to be found. The distance which divides these limits marks the want of precision of the material at our disposal. One method of investigation—to institute an inquiry through bankers and business men in those countries in which German capital is believed to be deposited or invested—was rejected by us at the outset. We have availed ourselves of all information of a public or official character supplied from countries outside Germany, but were of the opinion that it would be neither proper nor useful to request disclosure of any specific transaction which, in general, would have been entered into under an implied condition of secrecy. Moreover, we felt that even though all obtainable information were freely given us, it must be extremely defective, as much German capital in foreign countries is considered, under existing circumstances, to be hidden in various ways under assumed names.

How Amount Was Estimated.

The method we have adopted is altogether different. Our first step was to form an estimate of the total value of German capital abroad at the outbreak of the war. We next considered what was the net reduction in this total at the time of the armistice. We took into account on one side the balance of trade advances by Germany to her allies, loss by seizure and sequestration of property confirmed by the Versailles Treaty, and loss through depreciation of value of securities.

On the other side we considered the sales of German securities, accumulation of interest, sale of gold and the effect on the trade balance of imports into Germany from occupied territories. These imports were commodities either requisitioned without payment or paid for, in the case of Belgium and Poland, largely by marks, and in Rumania and occupied France, as well as Belgium and Poland, by local currencies which the German Government caused to be printed and issued for the purpose.

Finally, starting from the basis of the remaining pre-war German assets, we examined the details of the various means by which the Germans can have increased or diminished capital abroad during the period from the armistice to the close of the year 1923. The reliability of our final estimate depends upon the completeness of our examination of the different elements which make up the total of German foreign acquisitions, and the various ways in which such acquisitions may have been expended.

The chief method by which the Germans have acquired foreign assets since the armistice has been by the sale of mark bank balances. Our estimate of the total sum under this head has

been obtained by a procedure founded upon the principle that every foreign sale by Germans of a mark bank balance creates at the moment of sale a corresponding holding of a foreign bank balance in Germany. The periodic totals of foreign balances shown in books of German banks were disclosed to us, and with the assistance of expert accountants we have been able to ascertain the net proceeds, expressed in gold, derived from the sale of marks.

It is interesting to note that foreign assets acquired in this way amounted to between seven and eight milliard gold marks, the whole of which, in consequence of the final devaluation of the mark, was lost by more than one million foreigners who at one time or another were buyers of mark credits.

This figure is one of the credit factors in estimating the final total. Other principal sources of German foreign assets have been the sale of goods, securities, real estate, precious metals and mark bank notes and interest accumulation, tourist expenditure in Germany, the German holdings in the ceded territories of Poland, Danzig, &c., foreign money expended by the allied armies of occupation, remittances from Germans abroad, earnings of shipping, railway and canal freights for foreign goods in transit through Germany, insurance profits, &c.

On the other hand, German foreign assets have been expended in the purchase of goods imported, cash payments to the Allies, interest paid on German securities held abroad, and German tourist expenditures.

On all these heads of receipt and expenditure, German statistical records and estimates, official data, bankers' and business reports and other similar evidence, have been subjected to the most critical scrutiny and their reliability has been tested by our examination—witness our inspection of original sources of information.

Our investigations and the evidence obtained led us to discard entirely the values of German imports and exports as stated in the official reports, and to revalue all commodities on the basis of the then current world prices with such allowances as the special circumstances of German trade at the time may have rendered necessary.

About \$1,637,500,000.

After a close examination of all the factors which make up the total sum, we are of the opinion that German capital abroad, of every kind, including capital in varying degrees of liquidity and capital invested in the participations of foreign companies and firms, and after taking account of all credit and debit items, was at the end of 1923 not less than 5.7 (five and seven-tenths) milliards of gold marks, and not more than 7.8 (seven and eight-tenths) milliards of gold marks, and we think that the middle figure of 6 (six) milliards and three-quarters of gold marks is the approximate total.

We draw especial attention to the foreign currency in Germany, which, though not included in our valuation of capital held abroad, is so closely akin to a foreign asset that it must not be overlooked. It may, indeed, be said that this currency, the total of which we estimate at not less than 1 (one) milliard, 200 (two hundred) million gold marks, is a German holding in the most liquid form for conversion into foreign assets.

On the other hand, in a broad view of the German financial capacity, the value of the property in Germany held by foreigners should not be left out of account. The annual yield from this property, whether in the form of rent, interest or dividends, is at present inconsiderable and may in time become the subject of special taxation, particularly in the case of rent from real estate purchased at the low prices current in recent years.

We estimate, after a very close study of the question, that the real estate and securities owned in Germany by foreigners represent a price paid of from 1½ (one and one-half) milliard gold marks.

The committee have thought it desirable to give in an annex to this report additional in-

formation in respect of their estimates of German assets abroad in 1914, as well as of the various credit and debit factors both during and since the war that have gone to make up the final total of German capital abroad.

The second part of our inquiry was to investigate means of bringing the exported capital back to Germany.

The so-called flight of capital in this instance was, in the main, a result of unusual factors. It arose principally through the failure of the Government to bring its budget into a proper relation, and as a corollary of such failure, from the raising of large loans and the direct issue of paper money.

Secondly, it was due to the action of speculators and timid investors, who sold marks against the currency of other countries while exporters of goods retained abroad all that was possible of the proceeds of their sales.

In the particular case under inquiry, however, the flight of capital was accentuated by the attitude of the people of Germany toward payments to her war creditors, and was marked by new and ingenious devices and schemes for evading restrictive legislation and for cloaking the real ownership of foreign balances.

The failure of the methods employed, both old and new, demonstrates the final ineffectiveness of restrictive legislation when successful evasion is so richly rewarded. Neither legal enactment nor severe penalties resulted in the disclosure of assets abroad or hampered the flight of capital. We feel that this would have been true whether the Government had or had not used its best endeavors to enforce the laws and regulations.

How to Get Capital Back.

In our opinion, the only way to prevent the exodus of capital from Germany and to encourage its return is to eradicate the cause of the outward movement. Inflation must be permanently stopped. If the issue of currency is strictly confined within the true limits of national requirements on a stable basis of value, the German with capital abroad will feel that he will suffer no loss in bringing it home and the speculator can no longer look for profit from the sale of marks.

We have already seen, in the case of Austria, how when currency is fairly stabilized, the necessities of foreign trade tend to bring back existing foreign balances. Restrictive legislation, which in the main has proved futile in preventing the export of capital, becomes superfluous the moment there is no longer any inducement to evade the law. It is indeed to be feared that laws purporting to compel the return of capital will have the reverse effect to that which might be wished.

The method of securing a currency in Germany capable of maintaining a sufficiently stable international value covers the whole question of budgetary equilibrium and the establishment of a bank of issue on a sound basis. These matters, which fall outside the scope of our inquiry, have been referred by the Reparation Commission to another commission whose conclusions we have the advantage of knowing. If effect is given their recommendations we think a considerable part of the German assets now in foreign countries will return in the ordinary course of trade.

While we are of the opinion that special legislation to prevent the export of capital or compel its return is not required when a country's finance is on a stable basis, we recognize in the case of Germany that a period of transition must necessarily ensue before stability can be obtained and confidence restored, and we suggest that during this period amnesty should be granted for a limited time from the penalties imposed by existing enactments and that special terms be offered for subscriptions to Government loans made in foreign currencies.

Well-conceived measures of this kind would be helpful in hastening the return of capital and the final restoration of financial equilibrium in Germany, conditions which are essential to the payment of reparation.

We desire to express our sincere thanks to the officers of the Reparation Commission, and to the economists, statisticians and expert accountants who aided us and for whose valuable assistance we are greatly indebted.

April fifth, nineteen twenty-four.

(Signed) REGINALD MCKENNA, Chairman.

HENRY M. ROBINSON.
ANDRE LAURENT-ATTHALIN.
MARIO ALBERTI.
ALBERT E. JANSSEN.

MCKENNA ANNEX. German Assets Abroad in 1914.

The value of German assets abroad in 1914 has been estimated by different economists in sums varying between 20 and 35 milliards. Besides these unofficial estimates, two estimates of official nature as well as a census have been made by the German Government. The earlier of these two official estimates is that made in 1905 by the Imperial Admiralty. The later one was supplied by the German Government in 1924, in reply to a question raised by the second committee of experts. The census, which only covered securities, was made by the German Government during the war—in August, 1916.

In the question put to the German Government the committee not only asked for an estimate of foreign assets held by German nationals in 1914, but also requested it to submit comments on the various estimates already made by German economists. All of these documents, the estimates of German economists, those of neutral, allied and associated countries, official estimates; the census, and the replies of the German Government have been examined and compared.

Taking into account all factors of valuation, the committee has come to the conclusion that the figure of twenty-eight milliard gold marks may be accepted as representing the value of German assets abroad at the time of the declaration of war, it being understood that this figure of twenty-eight milliards comprises only the assets abroad belonging to German nationals residing in Germany and not the assets belonging to German nationals residing abroad. In this estimate the securities have been taken at their face value in gold marks during the period of the war.

(A) Imports and Advances.

The difficulty encountered by Germany in exporting her goods during the war, as well as her persistent endeavors to increase her imports by every possible means in order to provide for the requirements of her armies, naturally produced a surplus of imports considerably in excess of the figures of the normal pre-war deficit.

To this deficit in Germany's foreign trade balance must be added the sums advanced by Germany to her allies to enable them to pay for their imports, for which she received no corresponding return. The figure indicated for these two items may be considered to be reliable and amounts to an aggregate sum of 15.2 milliard gold marks, subject to the modifications referred to in Paragraph C.

(B) Depreciation, Sequestration and Liquidation.

Various estimates of the reduction in German assets abroad during the war as a result of depreciation have been made by several economists whose figures have been generally based on an estimated total of from 20 (twenty) to 25 (twenty-five) milliard gold marks for the German assets in 1914.

Their estimates seem too low if we take as a basis the figure of 28 (twenty-eight) milliards adopted by the committee for the German assets abroad in 1914. This impression, moreover, is confirmed by information which the committee has obtained by its own investigation.

It is impossible to adopt a definite figure in determining the value of assets seized and liquidated in the allied and associated countries. On the basis of information obtained by the committee from the Governments of the allied and associated powers, as well as in Germany, the committee has been able to estimate at ap-

proximately 16.1 (sixteen and one-tenth) milliards of gold marks the reduction of German assets abroad during the war as a result of depreciation, liquidation and sequestration measures.

In adopting this figure no allowance has been made for the fact that certain German assets abroad may have been utilized to cover payment for imports, nor for the fact that the German assets abroad may have increased owing to the accumulation of interest accruing on these assets. These several items are discussed elsewhere.

The above figure, therefore, represents the net reduction in German assets abroad for which Germany during the war period received no return. These assets underwent a further decrease in value during the period following the hostilities.

Lastly, the committee is of the opinion that both during and since the war the category of assets in neutral countries likewise underwent a reduction in value, and in particular, the greater part of such securities held by Germans has no longer a value equivalent to their face value in gold marks.

(C) Profits by Germany in Occupied Territories.

Examination of the German economic measures taken in Belgium during the war, to which the attention of the committee was called, suggested that substantial profits had accrued to Germany from the exploitation of the occupied territories. The committee made a careful study covering not only the German operations in Belgium and Northern France, but in Poland and Rumania.

No attention has been paid to the purely military aspects of these operations, such as requisitions intended to provide partial subsistence for the German occupying troops. Quite apart from such matters, however, it was found that the proceeds from requisitions in the occupied territories were closely connected with the deficit in the German balance.

With the help of German official documents, in particular the reports of the Military Administration drawn up during the war and German memoranda estimating the value of the war damages, the committee ascertained that the profits realized by Germany were principally obtained as follows:

Germany obtained from the occupied territories considerable quantities of commodities which, through the operation of centralized importing companies especially created for this purpose, were transported to Germany for internal consumption. Most of these goods were either not paid for at all, or were purchased through the medium of issues of local paper currency, or were paid for in paper marks which were subsequently left in the country, and amounted, in the case of Belgium, to 6 (six) milliard paper marks. The special object of these issues of local currency, according to the statement of the German staff, was to enable Germany and her allies to receive goods from the occupied territories free of charge, during the whole period of hostilities, by requisition or in exchange for paper marks or local currency.

Germany also obtained considerable quantities of currency in the invaded countries. In Northern France the German military authorities imposed upon towns fines and levies for which payment was required in German money, gold coin or notes of the Bank of France.

Finally, foreign assets were acquired by Germany, especially in Belgium and France, notably by means of sequestration of securities, coupons, bills of exchange, &c. These, like the bank notes mentioned above, served in part to pay for the imports from neighboring neutral countries.

It must also be pointed out that when the German coal control in Belgium issued export licenses for coal for Holland, Switzerland and Sweden, German authority kept for itself the currency thus obtained and forced the mines to accept paper marks.

The committee has adopted the figure of from 5.7 (five and seven-tenths) to 6 (six) milliard gold marks as corresponding to that portion of

profits derived from this exploitation of Belgium, Northern France, Poland, Lithuania, Rumania, &c., representing imports for which no payment was made and which in consequence had not been allowed for in the balance of accounts.

(D) Sale of Gold and German Securities.

Sale of gold and securities was the principal means whereby Germany paid for her imports during the war. The export of gold, which took place mainly during the early years of the war, reached a total amount of 1 milliard gold marks. As regards the German securities, widely divergent estimates have been made of the amounts sold. In our opinion the total figure is not far from 1 milliard gold marks.

(E) Returns From German Assets Abroad.

The revenue that Germany derived from her assets abroad was very considerably diminished immediately after the declaration of war, and further reductions occurred during the period of

hostilities. It should indeed be noted that interest ceased to be paid on assets held by Germany in the countries with which she was at war; some of these assets were sold during the war and the depreciation of others became very marked toward the end.

On the other hand, the industrial securities of neutral countries continued to pay interest at rates frequently higher than before the war. While the committee has been unable to divine exactly the variations for each year of the war in the revenue derived from German assets abroad, it has at least been able to make an estimate which may be taken as very nearly accurate.

Post-War Period—(A) Imports and Cash Payments.

One of the main causes of the reduction of German assets abroad during the post-war period arose from the necessity for Germany to cover the deficit in her trade balance and to meet the cash payments which had to be made to the Allies under the Treaty of Versailles. These two items together amount to between 9 (nine) and 10 (ten) milliard gold marks.

As already stated in the report, the figures given in the official German foreign trade statistics are quite inaccurate for certain periods. This observation applies particularly to the figures originally published. For this reason it was necessary to revise completely the balance given for every year.

Taking into account the various factors entering into the calculation, the committee is of the opinion that this revision has made it possible to reach a figure more nearly equal to the actual excess of imports than had been the case in previous reports dealing with this question. The amount of the deficit in the trade balance must be clearly brought out, since any valuation that is to be made of the German assets remaining abroad largely depends on the figures finally adopted for the deficit in the trade balance.

Cash payments made by Germany to the Allies, and to the Reparation Commission under the reparation recovery act, and payments to the clearing office, &c., do not give rise to this dispute.

(B) Sale to Foreigners of Marks and Notes.

Germany has acquired foreign assets in large volume since the armistice through the opening of credit accounts by her banks for the benefit of foreigners. These credits were paid for by the foreigners in money credits of other countries, and as they underwent a constant shrinking in value through the depreciation in the value of the mark, German economy profited largely from the transactions.

The committee made a careful study of the values so acquired, by investigation with the aid of expert accountants of the mark credit balances on foreign account in the principal banks of Germany during the post-war years. It found that there had been during a five-year period more than 1,000,000 individual accounts of this kind.

In most cases these mark credits, unless immediately utilized, had undergone a process of shrinkage through the depreciation of mark values that amounted to veritable evaporation. The work of the expert accountants was directed to determine as nearly as possible the aggregate amount of shrinkages in these very numerous accounts due to the depreciation of the value of the mark.

With this end in view the leading banks of Germany were asked to transcribe from their books data showing credit balances, amounts and debits in the accounts of all foreigners at the close of each month from the end of 1918 to the end of 1923. After the sums indicated had been converted to gold equivalents at the current rate of exchange, it was possible to draw a close inference as to the total gains accruing to the German economy. The whole data furnished by the banks were submitted to a careful checking by expert accountants and it was found that they had been correctly computed.



CHARLES G. DAWES

Chairman of the Reparation Experts' Committee

Credits in German marks were purchased by citizens of a great many nations, but the largest amounts were taken by the citizens of a relatively restricted group of countries. The methods used in determining the value of the assets acquired by German banks in this way were submitted to an interesting check, which consisted in taking the single account of a foreigner who had engaged in speculative operations on a considerable scale and converting the figures of his transactions to a gold basis for every day on which any deficit or credit entry was recorded. The results indicated that there was no tendency for this detailed method of conversion to yield results materially different from those found by the more general mass methods that it was necessary to employ in computing the figures for Germany as a whole.

When the whole inquiry was completed it was found that Germany had profited by the sale of mark credits by the amount of from 7 (seven) to 8 (eight) milliards of gold marks. In addition, the sale of paper marks in foreign countries resulted in profits amounting to from 600 (six hundred) to 700 (seven hundred) millions of gold marks and the total from these two sources amounted to from 7.6 (seven and six-tenths) to 8.7 (eight and seven-tenths) milliards of gold marks.

(C) Sales of Gold.

German official statistics record sales abroad by Germany, principally in the years 1919, 1921 and 1923, of gold to a total amount of $1\frac{1}{2}$ (one and one-half) milliard gold marks. The accuracy of these figures is not disputed.

(D) Real Property and Securities.

During the period characterized by the rapid depreciation of the mark, sales of real property to foreigners reached an unwanted development in Germany. In estimating the proceeds of such sales the committee had before it various statistics indicating in detail the number and amounts of sales of real property to foreigners since the war in some of the principal towns of Germany and also in districts of varying economic character.

As regards securities, Germany was able during the first of the post-war period to market some of her securities abroad, but as soon as her financial position became more uncertain most of these transactions were suspended. In the aggregate the committee considers that the result of sales of German real property and securities to foreigners amounted to about 1,500,000,000 gold marks.

(E) Expenditure of Travelers.

During the five years which have elapsed since the armistice considerable sums have been spent in Germany by a large number of foreigners who traveled and lived in that country. Our estimate of the expenditures of these travelers was facilitated by official statistics kept by the largest German towns and a special report on the subject supplied by the German Government, and the committee was able to obtain a fairly exact idea of the number of foreigners who came to Germany during the period in question, the average length of their stay and the expenditure of each.

As against this, numerous German travelers, belonging mostly to the wealthier classes, have stayed in foreign countries, especially in the last two or three years. Their expenditure has to be deducted from the expenditure by foreigners in Germany referred to above, and very considerably reduces the amount of German assets realized from that source.

(F) Expenditure by Troops of Occupation.

During the post-war period a certain sum has been realized by Germany through the expendi-

ture in foreign currency, or marks bought with foreign currency, by the troops occupying German territory. Each Government having armies of occupation in Germany has supplied the committee with a detailed estimate of expenditure made by officers and men or by the various army services. These estimates were checked in several ways. By a series of calculations relating to each army's different methods, the results of these different calculations have been combined.

(G) Shipping, Insurance, Transit, &c.

Earnings from shipping, insurance, transit, &c., were an important source of German income prior to 1914, but during the war such earnings in a great measure disappeared. In the five years since 1919 some of the lost ground has been regained, particularly in the field of shipping and insurance, and the committee has taken this item into account.

(H) Investments.

Remittances sent by Germans residing abroad and the total amount of income produced by German assets abroad since 1919 is, of course, substantially below that produced by German assets abroad before the war. The assets held abroad by Germany since the war represent, indeed, only a small and, for some part, unproductive fraction of the pre-war holdings. It is true, on the other hand, that the payments which Germany has made since 1919 in respect to German securities held by foreigners have been inconsiderable.

After a careful study of the question, the committee came to the conclusion that a set off of the two items, income from German investments abroad and income from foreign investments in Germany, resulted in a small balance in Germany's favor for the whole post-war period.

Remittances sent to Germany by German nationals residing abroad and German connections and sympathizers amount to a considerable figure in Germany's favor.

(I) Private Property in Ceded Territory.

Most of the valuations of German property abroad have taken little or no account of the value of German private property in the ceded territories of Silesia, Posen, Danzig, &c. These properties are included in our own estimate in so far as, according to definition adopted by the committee, they are owned by Germans residing in Germany.

Although it is very difficult to determine with any precision the extent of these properties, the committee considered it could not exclude from its valuation certain industrial assets, particularly those in Upper Silesia.

(J) Foreign Bank Notes in Germany.

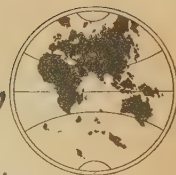
There is in Germany a large quantity of foreign bank notes (dollars, florins, Scandinavian crowns, Swiss francs and pounds sterling; more especially in the occupied territory of Belgium and France, francs).

The exceptional plight of the German mark influenced Germans in acquiring stable currencies wherever possible and on a large scale. These foreign notes have remained in the country instead of finding their way abroad again through normal channels of trade, as would have been the case in ordinary circumstances. Various estimates of the total amount of such notes were made in Germany, particularly toward the end of 1923. The committee has compared the different estimates with information which it collected in Germany and other countries, and in its opinion the value of the foreign notes existing in Germany at the end of 1923 amounted to about 1.2 (one and two-tenths) milliard gold marks.



A MONTH'S WORLD HISTORY

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THE MONTH IN THE UNITED STATES

By ALBERT BUSHNELL HART

Professor of Government, Harvard

THE President of the United States is the one American in whose opinions and decisions his countrymen are always most interested. During the last month his energies have been taxed by the serious crisis in the Cabinet. The President indicated (March 21) that he expected Congress to do something to aid the farmers; to rebate to the taxpayers 25 per cent. of the income taxes due on the year 1923; and to pass the Mellon Tax Reduction bill. He urged immediate aid for the farmers by the new Agricultural Credit Corporation, and regretted the failure of the Norbeck-Burtness Agricultural bill in the Senate.

To fill the place caused by the resignation of Secretary of the Navy Denby, the President nominated Curtis B. Wilbur of the State Supreme Court of California, a graduate of the Naval Academy at Annapolis, who took office on March 25. He urged legislation (April 10), to require competitive bids on oil leases.

A sensational development due to Executive action was the forced resignation of Attorney General Daugherty (March 28). Republican leaders, particularly Senators, for some weeks had advised the President against retaining the Attorney General. The President was anxious that the Attorney General should have the opportunity to defend himself from the charges

made against him while he was still in office. A new difficulty arose on March 27, when the Attorney General refused to permit the special Senate committee investigating his administration of the Department of Justice to consult the department files in certain cases, on the ground that "a general fishing expedition * * * would lead to endless confusion," and that the investigation should be "conducted in a judicial manner." Hence he ruled that "it would not be compatible to the public interest" to allow the desired examination of the files. The result was a direct demand for the resignation of Daugherty by President Coolidge (March 28), on the ground that it was not possible for a public officer whose conduct was being examined by a committee of Congress to decide what evidence in his official files should or should not be used against him. The President said: "I do not see how you can be acting for yourself in your own defense in this matter and at the same time and on the same question be acting as my adviser as Attorney General." Daugherty immediately resigned. The President nominated (April 2) Harlan Fiske Stone, a New York lawyer, for many years Dean of the Columbia University Law School and a friend of thirty years' standing. The appointment was confirmed and Mr. Stone took office April 9.

CONGRESS

Congress still continues to give most of its attention to the numerous committee investigations. A curious claim to membership in the House was that of W. W. Cole, Democrat, of Texas. The State Legislature had decided that under the census of 1920 it was entitled to one more member, and provided for the election of a Congressman at large. The House took the ground that apportionment among the States involving increases of members could only be made by an act of Congress. The House on April 10, by a vote of 210 to 198, upheld the contested election of Representative Bloom of New York, thus giving the majority of the New York delegation to the Democrats. The importance of this decision, which was made possible by a coalition of eight Progressive Republicans and one Farmer-Laborite with the Democrats, lies in the fact that should a third party so split the vote in the Electoral College that the election would be thrown into the House, the vote of New York would be cast for the Democratic candidate.

The Senate, by a vote of 63 to 7 (March 19), proposed a Twentieth Constitutional Amendment by which each new Congress shall enter office on the first Monday in January, following the election in November, and the new President shall be inaugurated on the third Monday in January. Propositions to allow the President only one term were decisively voted down. The amendment is now before the House, and the Committee on Elections favors such a measure.

CONGRESSIONAL INVESTIGATIONS

The investigations by committees of Congress are so numerous and so complicated that it is time to make clear exactly what has been done. By long-established custom, going back to the earliest Congresses, either house may assign to a regular or a special committee the duty of making inquiries into any subject which is connected with the operation of the Government. They may examine into the public action of their own members or any executive or judicial official. The committees have power to call witnesses and compel them to testify under a penalty of punishment for contempt. Under decisions of the Supreme Court such penalty cannot go beyond imprisonment until the expiration of the session of Congress. These investigations are not judicial proceedings, inasmuch as no one is under indictment for crime and no penalty can be fixed by a committee of Congress, whatever the breach of public duty. Hence the proceedings are informal. Hearsay evidence may be admitted. The proceedings are like those of a Grand Jury, but are free from control by the courts.

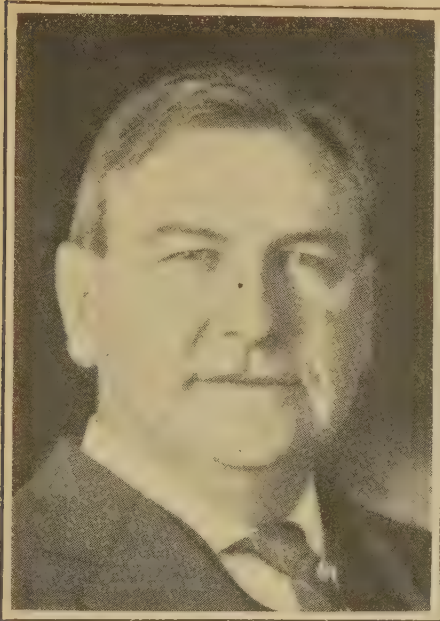
The series of investigations now going on began with the Senate Committee on Public Lands, which got wind of serious irregularities in the

leases of naval oil reserves made on April 7, 1922. A resolution introduced by Senator La Follette directing an investigation into the matter was passed, and a subcommittee of the Public Lands Committee under Senator Walsh began an investigation which has been recorded in these columns. A still unsettled question is whether Secretary of the Navy Daniels in Wilson's Administration applied the new statutes and made important oil leases, in connection with Secretary of the Interior Payne. The Democratic National Committee (March 31) issued a statement defending the action of Secretaries Daniels and Payne of the Wilson Cabinet on the ground that the leases were public and the naval reserves were protected, while under Denby and Fall oil leases were granted for immense tracts in Wyoming and California to the Doheny and Sinclair companies. Hence the significance of Doheny's admission that he had "lent" \$100,000 in cash to Secretary Fall. The Sinclair interests, it was revealed, also paid sums running up into scores of thousands of dollars. After Fall refused to testify further, on the ground that his testimony "might incriminate him," a judicial case against him was worked up by special counsel Pomerene and Roberts.

The potential value of oil lands is shown by a recent bid of \$1,990,000 for forty acres of Indian oil land in Oklahoma. H. F. Sinclair, being recalled to the stand, refused (March 22) to answer any further questions on the ground that the validity of the leases was in process of litigation. By a vote of 72 to 1 (March 24) his refusal was certified to the legal authorities of the District of Columbia, and the Federal Grand Jury (March 31) indicted him for a breach of the statute requiring witnesses to answer the questions of an investigating committee. He pleaded not guilty and was released on bail of \$5,000.

The committee's inquiry has revealed payments to the Republican campaign fund of 1920 by Sinclair and other oil men. It was shown that after the election of 1920 Sinclair gave \$75,000 to help pay the deficit in the treasury of the Republican National Committee. Al Jennings, former train robber and convict, repeated a story which he said was told him by the late Jacob Hamon of Oklahoma to the effect that Hamon spent \$1,000,000 to secure the nomination of Harding in 1920, and was to be Secretary of the Interior instead of Fall. J. E. Dyche of Oklahoma City, who was Hamon's campaign manager, testified there was no truth in the Jennings story, but that Hamon did spend \$105,000 to elect Oklahoma delegates who would vote for him as Oklahoma National Committeeman. On the other side, the Chairman of the Democratic National Committee stated that Doheny had contributed about \$35,000 to the Democratic fund in 1920.

The success in driving out Denby and Daugherty from the Cabinet encouraged an attack upon



P. & A.

HARLAN FISKE STONE
Attorney General of the United States in
succession to Harry M. Daugherty

Secretary Mellon, chiefly on the ground that while Secretary of the Treasury he was engaged in trade and commerce, contrary to an old statute. Senator Reed of Pennsylvania explained (March 31) that on the advice of eminent counsel, Mr. Mellon had divested himself of all business interests which would be contrary to law. No headway was made in securing evidence on the charge that Mellon corporations had received special favors from the Treasury Department after he took office, but the Senate Committee investigating the charges took the unusual step, on April 9, of authorizing the employment of Francis J. Heney, the San Francisco lawyer, to carry on the investigation, Heney to be paid by Senator Couzens of Michigan, who has been actively opposed to Secretary Mellon. Two days later President Coolidge formally protested to the Senate that this action was not only a violation of law but an attack on the constitutional guarantees of unwarranted search and seizure. Under such conditions, said the President "instead of a Government of law we have a Government of lawlessness," adding "it is time we return to a Government under and in accordance with the usual forms of the law of the land. The state of the Union requires the immediate adoption of such a course."

The President's protest was called forth by a letter from Secretary Mellon which stated that Senator Couzens was obviously bent on venting

"some personal grievance against me," and that the personnel of the Internal Revenue Bureau was being demoralized by the investigation.

The message of the President precipitated an acrimonious debate in the Senate, the Democrats bitterly assailing it, the Republicans warmly supporting. Senator James Reed of Missouri introduced a resolution to expunge the message from the record. When this report closed (April 15), the debate was still in progress.

Representative John W. Langley of Kentucky was indicted on March 27 by a District of Columbia Grand Jury on a charge of conspiring to violate the prohibition law. Representative Zihlman of Maryland, who from the floor of the House had denied rumors coupling him with liquor graft, was exonerated by the Grand Jury.

The Wheeler special committee for the investigation of the Department of Justice has branched out into several different phases of the administration of that department by Attorney General Daugherty. Most of these are founded on charges that investigations and prosecutions were corruptly obstructed in the department. The principal witness was Miss Roxie Stinson, divorced wife of Jesse Smith, who, however, remained on very confidential terms with her, and handsomely supported her. Her testimony consists chiefly of what "Jesse" had said or written; but other evidence established that, though not an official of the Government, he had an office in the department building, that he lived with the Attorney General, the very large expenses being divided equally, and that he was in close relations with Mal Daugherty, brother of the Attorney General and a banker in Ohio. Mal Daugherty refused to allow the books of his Ohio bank to be examined except on his own terms, and when Senators Wheeler and Brookhart attempted to make a personal inspection, blocked them by an injunction obtained in a local court. Parts of Miss Stinson's testimony were backed up by other witnesses.

In spite of many contradictions and weaknesses in this testimony the fact was established that films of the Carpentier-Dempsey prizefight were distributed to many cities, in spite of the Federal law prohibiting their transport from State to State; that a system was arranged beforehand by which fines were paid by exhibitors, after which the exhibition of the films went on without interference, and that intimate friends of Daugherty were closely connected with and profited by these transactions. It was proven also that Daugherty was speculating in stocks of the Sinclair and other companies and carried on part of these transactions under a dummy name on the books of the brokers. Captain F. L. Scaife, former special agent of the Department of Justice, testified that some of his investigations were held up by the department. Various witnesses testified that there was a regular system by which permits for the

withdrawal of liquor were bought, presumably through connivance of officials of the Treasury Department. Efforts were made to make Secretary of War Weeks responsible for the failure to bring suits against aircraft companies for alleged overpayments, but the charge was satisfactorily disproved. A very serious charge was made (April 1) that certain Oklahoma landowners, named Miller, who had pleaded guilty to obtaining valuable Indian lands by fraud and were fined \$10,000, have not yet been dispossessed of these lands by civil suit, although two years have elapsed. It was claimed that the Department of Justice should have brought civil suit to dispossess the Millers.

Another startling charge made by William J. Burns was that when the Department of Justice attempted to stop the systematic trade in narcotics in the Federal penitentiary in Atlanta, Daugherty gave him directions to let the matter alone, at the request of Superintendent of Prisons Heber F. Votaw.

A new chapter was opened in the whole affair (April 8) by the indictment of Senator Wheeler (Chairman of the Daugherty Investigating Committee) in Montana, on the charge of having unlawfully accepted a retainer from oil men in Montana. The Senator replied (April 9) that he had appeared for oil interests in cases before the State courts, but had never secured any grants or privileges for anybody from the Federal Government. W. J. Burns testified that his men had worked on the case and that the Republican National Committee also had a man at work. Senator Wheeler is a Democrat.

STATE AND LOCAL AFFAIRS

Several State Legislatures are now approaching the end of their session. The New York Legislature adjourned on April 11 after rushing many bills through in the last hours of the session. Many bills were lost in the confusion of the final rush. The \$45,000,000 bond issue, authorized to meet the expenses of the New York State soldier bonus, was sold at a high premium on April 8, the entire issue going at a price of \$101.4657 for each \$100 certificate.

In New York City Mayor Hylan is urging more authority for the City Government. Controller Craig is in his normal state of steady opposition to the Mayor. Mr. Craig asked the Legislature to authorize an issue of \$275,000,000 in bonds outside of the debt limit of the city for transit purposes, but was refused. The Legislature, however, passed a bill designed to give the city authorities virtually complete control over rapid-transit lines to be built or in course of construction. Municipal operation, hitherto forbidden, is authorized.

No progress has been made in settling the independence question of Filipinos. A new secret society, the Kusog Sa Imol, has sprung up in

several of the Philippine provinces. The Senate Committee on Territories and Insular Possessions has recommended that a popular vote be held in the Philippine Islands in 1935, to decide whether it should then become independent.

POLITICAL

The political horizon becomes more and more hazy. No one is able to estimate the effect on the Republican and Democratic Parties, or the possible third party of the pending investigations. The committees have been in the hands of Democratic Senators and have been for the most part investigating Republican office holders and their friends. In any case, the public does not seem to hold President Coolidge responsible for the mistake of his predecessors. Senator Pepper, a leading Republican, on April 3, before the Maine State Republican Convention, declared that the investigations "have in fact succeeded in discrediting both the great parties to such an extent that an irresponsible and highly objectionable third party is actually suggesting itself to some extremists as a practical possibility. In other words, the Democrats have aimed at us—but hit America." Other observers think that the Republican Party, which has a nominal majority in both houses, will be held responsible by the country for failure to reduce the 1923 income tax now being collected and, particularly, to grant legislation which the farmers would recognize as helpful to them. In the elections of next November, thirty-three Senators will be chosen; and a loss of three seats by the Republicans would destroy their present working majority.

The only key to the Presidential nominations at present is in the State primaries. Among the Democrats, McAdoo carried Georgia against Underwood, by about five votes to one (March 19). The Iowa delegates appear to be for him, and it looks as though he would have not far from 300 delegates in the convention, where over 600 votes are necessary for nomination. In Wisconsin Governor Smith of New York ran ahead of McAdoo in the ratio of three to two. The lower house of the Arkansas Legislature has proposed Senator Robinson of that State. John W. Davis of West Virginia declines to give up his relation as legal adviser to the Morgan banking house, for the sake of conciliating voters who object to corporation lawyers.

President Coolidge since March 15 has been endorsed in Connecticut, in several Missouri districts, in Maine and elsewhere. In the North Dakota primary (March 18) he had as many votes as Johnson and La Follette together. In South Dakota, after a hard fight (March 25) Johnson led Coolidge by a slight majority. More important because of the size of the State is Illinois, in which the result for the Republicans (April 8) was a Coolidge plurality of 100,000.

Similar results were noted in Michigan and Nebraska.

Meantime third parties begin to take form. Debs is seeking a Socialist nomination in California. Governor Preuss of Minnesota thinks that La Follette can carry five to eight of the Northwestern States, provided that he is physically able to be a candidate. La Follette cannot possibly be nominated by the Republicans; but a third party might draw away enough Republican and Democratic votes to throw the election into the House of Representatives. Under the present laws should there be a deadlock in the House, the Senate will have the power to elect a Vice President, who will then automatically become President.

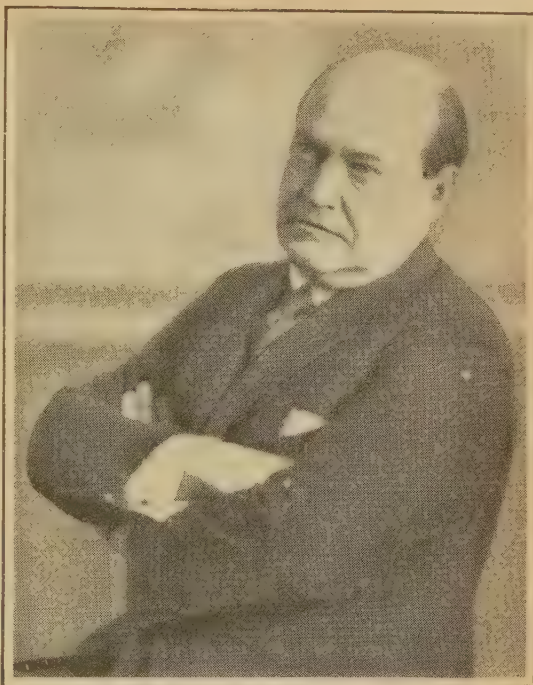
FINANCE AND BUSINESS

The country is certainly prosperous. The Census Bureau's estimate of national wealth (March 31) is about \$321,000,000,000. Of this, about \$177,000,000,000 is in real estate. The business failures in the three months to April 1 were 5,265, with nearly \$200,000,000 in liabilities.

The great manufacturing corporations are prosperous. United States Steel reports in the last year a gross business of \$1,600,000,000, with a profit of \$109,000,000, the best year in its history. The Supreme Court rendered a decision (March 17) restraining the Federal Trade Commission from examining the books of corporations unless they were able to charge in advance the commission of an offense. Suit was filed (March 20) in Cleveland against the General Electric Company at the direction of Attorney General Daugherty on the ground that the business of selling electric bulbs was carried on in violation of the Anti-Trust act. Secretary Hoover feels that it is necessary to take some action to counteract the effect of foreign monopolies in raw materials imported in large quantities into the United States and suggests that importers be allowed to combine in order to purchase abroad more advantageously. In the last year we imported over \$500,000,000 worth of these products, every one of which is controlled by strong combinations of foreign producers, some of them backed by foreign Governments.

TRANSPORTATION

The trend of opinion lately has been against public ownership of the railroads. Many of the roads are now better off financially than at any time during the last five years. The Pennsylvania reports a net income of \$55,000,000, as against \$32,000,000 last year. The Senate Committee on Commerce is urging low rates on agri-



International

HARRY F. SINCLAIR

As he appeared at the inquiry of the Senate committee investigating the naval oil leases

cultural products and live stock through the Interstate Commerce Commission.

The most serious question about shipping is with regard to Section 28 of the Merchant Marine act of 1920, which requires the railroads to give special freight rates on imports and exports which are carried across the sea in American vessels. It is to go into force in May, and protests have come from large bodies of shippers on the ground that it breaks existing private contracts. Some foreign nations are likely to object that the action would be a discrimination against their ships. Some Atlantic ports are also against it because there are no American ships maintaining service to their docks.

FOREIGN RELATIONS

A long-standing difficulty has been settled with Great Britain by the withdrawal on the part of the British Government of charges laid against the American consular officials at Newcastle-on-Tyne in 1922. A petition signed by 110,000 persons, none of them residents of the island, asks the United States to claim and secure the Isle of Pines, always acknowledged by our Government to be a part of Cuba.

Secretary Hughes declined (March 16) to make

a special arrangement with France for the settlement of questions arising out of relief credits.

The House of Representatives (March 31) unanimously voted to request the President to prepare the way for a conference with Great Britain, France and Italy to limit the construction of the smaller types of naval vessels.

LAW AND ORDER

No lessening of the cyclone of violent crime is seen; and none can be hoped for until an effort is made rigorously to license the sale and use of firearms and explosives, and to prevent powerful automobiles from running at high speed through city streets. More than a third of the decisions are reversed on appeal. The extraordinary situation in Herrin, Ill., has not been settled. Judge Bowen recently arraigned S. Glenn Young, self-appointed Sheriff of the county, on sixty-five indictments, together with about seventy of his aids. Thereupon a "protest parade," headed by three Protestant ministers and supported by Klansmen, marched by the Court House. Bandits in Chicago (March 26) held up a Post Office messenger and escaped with \$150,000 in registered mail. Race friction is diminishing, though a negro boy 14 years old was lynched for shooting the Chief of Police at Woodbury, Ga. An attempt was made at Columbia University early in April to drive a negro student out of the university dormitories. The college authorities insisted that he should have the same rights as a white student. Parties unknown burned a fiery cross on the campus (April 4) and city detectives were placed on guard.

The new plans of the Government for stopping the smuggling of liquor by sea seem likely to break up the system. Alongside each rum-runner, wherever anchored, a speedier Government vessel will be posted to intercept communication with the shore. Seven officers and men of the British ship *Orduna*, which was libeled for violation of the Volstead law, were fined from \$25 to \$100 each because Judge Garvin expected the seven men to become "missionaries to spread the word throughout the British merchant marine that it is a serious thing to bring liquor into American ports." William H. Anderson, former head of the Anti-Saloon League of New York, went to Sing Sing (March 25), still protesting his innocence of the crime of forgery, of which he was convicted.

SOCIAL QUESTIONS

The religious war in some of the New York churches still goes on. St. Marks-in-the-Bouwerie has been deprived of the privilege of Episcopal visitation because of "a ritual dance in honor of the Blessed Virgin Mary" (March 23.) Police reserves were necessary to regulate the crowd that wished to view the ceremony. The attempt

to enforce the obsolete blue laws in New Jersey has broken down, the Hudson County Grand Jury refusing to find true bills.

The Kentucky Legislature passed a bill (March 22) requiring the Bible to be read every day to pupils. The Federal District Court in Oregon has declared void the State law passed in 1922 by referendum which prohibited private schools, holding that though the State might set up standards of education, it could not require parents to send their children to public schools.

LABOR AND IMMIGRATION

Few labor troubles are disturbing the country at present. The House Judiciary Committee reported (March 26) in favor of a child labor constitutional amendment, which seems likely to be submitted to the State Legislatures. President Gompers of the American Federation of Labor announced (March 31) that labor desires legislation by Congress on immigration, railroad employment, child labor, workmen's compensation in the District of Columbia, adjusted compensation for war veterans, vocational rehabilitation, reclassification of postal employes and a raise in the pay of postal employes.

A drastic immigration bill, based on the principle of restriction by means of quotas, seems certain. Certain proposals, designed to keep at a minimum the numbers admitted from Southern and Eastern Europe, have caused much heated discussion in Congress and the newspapers. The proposal to bar Japanese immigration completely has been a cause of much concern to Secretary of State Hughes, injuring as it does Japanese sensibilities, and on April 11, Mr. Hughes sent to the Senate Immigration Committee a note from Ambassador Hanihara which stated bluntly that the Japanese ban as passed by the House would inevitably have "grave consequences" on the otherwise excellent relations between Japan and the United States. Ambassador Hanihara further stated that the bill as it now stands "would seem to involve * * * the good faith, and, therefore, * * * the honor" of the Government, "or at least of its executive branch."

He declared that Japan did not desire to secure the admission to this country of the insignificant number of Japanese who might come in under any quota that might be adopted, but did object to being singled out for the insult of absolute debarment of her nationals. The House of Representatives a day later, however, passed the bill with a provision barring from the United States all aliens ineligible to citizenship, including the Japanese. The Senate, on April 14, by a vote of 76 to 2, rejected an amendment which would have continued the so-called "gentleman's agreement" with Japan. The leaders of the Senate expressed strong disapproval of the letter of the Japanese Minister because it conveyed a veiled threat.



MEXICO AND CENTRAL AMERICA by Charles W. Hackett

Associate Professor of Latin-American History, University of Texas

CONDITIONS in Mexico since mid-March have come more nearly to normalcy than at any time since the opening of the Presidential campaign last September. The military campaign has been vigorously prosecuted by the Federal Government in the States of Guerrero and Oaxaca and on the Isthmus of Tehuantepec, with the result that early in April the rebels were in control of only sections of Yucatan, Campeche, Tabasco and Chiapas. Rebel generals in conference, on March 22, decreed that any enemy, native or foreign, might be shot on sight. From Mexico City it was reported, on March 27, that a counter-revolution in Campeche had been thwarted by the rebels; that in Yucatan the rebel Government was persecuting and in some cases had executed Socialist followers of the late Felipe Carrillo and that in retaliation the radical element had begun "direct action" against all followers of the rebel régime, with the result that many wealthy merchants and hacienda owners had left the State. Prior to April 1 the rebels had collected in Yucatan in the form of taxes and "forced loans" more than \$550,000.

The Federal Government during March instituted legal proceedings against native and foreign participants in the revolution. Immediate sale at auction of properties confiscated from rebel militarists was ordered by the Attorney General of Mexico on March 10. An executive announcement on March 16 stated that concrete evidence had been obtained which confirmed "the frank complicity of high officials of the Aguila Oil Company with the rebel movement." Eleven days later Arthur Roddick, Aguila Company Superintendent at Puerto Mexico, was ordered deported. Aguila company officials denied charges of having aided the rebels and asserted that rebel demands for loans had been refused and that the rebels had seized Aguila tankships of Mexican registry.

During the current month the most disquieting

internal developments have been in connection with labor unrest. In Mexico City the Secretary of the Federation of Textile Workers announced, on March 16, that workers were determined to take over textile factories in the Federal district. The Government pledged itself to protect the factories and furnished police protection, thereby thwarting the plans of the workers.

Property of the Aguila Oil Company at Tampico was seized by striking "red" workers on March 24 after thirty demands, characterized by the company as "outrageous," had been rejected. President Obregon on March 26 ordered Federal troops in the Huasteca region to give full protection to all oil properties, and on March 27 Foreign Minister Saenz assured Ambassador Warren that the Government would not permit strikers to impede oil production or shipments. The United States State Department was advised on April 4 that the workers, after seizing the Aguila refinery, had returned it to its owners. E. L. Doheny, the American oil operator, announced on March 10 that he had loaned the Obregon Government \$5,000,000 to help put down the rebellion.

In Puebla 12,000 textile workers were thrown out of employment in March when textile mills in that State were shut down because of lack of raw cotton. In Sinaloa a general strike was declared in the sugar mills of that State. Supporters of Governor Flores allege that the strike was fomented by labor agitators from Mexico City for the purpose of embarrassing Flores in his Presidential campaign. In San Luis Potosi, Governor Manriquez proposed a "model contract" which provides for distribution of profits between laborers and land owners in the ratio of 4 to 1.

At a colorful formal ceremony in Mexico City on March 31 Mr. Charles B. Warren presented credentials to President Obregon as Ambassador from the United States. In presenting these, Mr. Warren made a plea for friendly relations between Mexico and the United States and transmitted assurances from President Coolidge that the United States desired no relations with Mexico that would infringe in any way on Mexican nationality. Upon his arrival in Mexico City on March 25 Mr. Warren announced that the rights of United States citizens in Mexico must be

respected if diplomatic negotiations were to be continued.

Protests against payment of taxes which had already been paid to the rebel Government were filed with the Federal Government on March 11 by merchants of Vera Cruz, who insisted that the taxes had been legally collected and that they were unable to pay them again.

The Mexican Commission, studying damages caused by various revolutions since 1910, stated on March 16 that claims totaling more than \$410,000,000 had been filed with it. Commissioner Arturo Rendon considers these claims excessive. It was reported on March 11 that claims of United States nationals against Mexico totaling \$100,000,000 were being prepared for filing with the State Department of the United States.

The resignation of General Calles from the army was announced by the Mexican War Office on March 25. The following day General Calles issued a manifesto formally announcing the resumption of his candidacy for the Presidency. He ratified all his previous declarations regarding social problems in Mexico, and offered to continue the social policies of President Obregon.

Announcement of disbursement of interest on six classes of Mexican securities, and that interest payments on the seventeen other classes of Mexican securities would soon thereafter be paid, was made by Mr. Thomas W. Lamont, Chairman of the International Committee of Bankers on Mexico, on March 28. Under the terms of the Lamont-de la Huerta agreement for the refunding of the Mexican debt, the Mexican Government, prior to Jan. 1, 1924, deposited \$15,000,000 with this committee to make interest payment for the full year 1923 on all classes of Mexican bonds and securities, the face amount of which is \$500,000,000, and defaulted interest since 1913, \$200,000,000. Mr. Lamont further announced that \$450,000,000 of the face amount of Mexican bonds had been deposited with the Committee of Bankers for refunding and collection of interest thereon.

During February between 700,000 and 800,000 pesos was paid to the Ministry of Finance of Mexico by oil companies as taxes on petroleum. Official announcement was made on March 16 that arrears of salaries of Federal employes would not be paid until a minimum reserve of 2,000,000 pesos was in the Treasury.

Crude oil production in Mexico during 1923 was 149,529,088 barrels, valued at 285,833,771 pesos. This was 32,749,369 barrels less than the production of 1922 and smaller than that of 1921 and 1920. The decline in production was due partially to the exhaustion of certain fields and partially to the invasion of salt water. Since 1901, when Mexico produced 10,345 barrels of

oil, the total production of Mexican wells has been 1,055,257,562 barrels, the total value of which has been 1,656,483,421 pesos. Last year 261 new wells were opened in Mexico with an initial daily output of 951,363 barrels. Estimates place the investment in the oil fields of Mexico at \$360,000,000.

During the current season 300,000 acres have been planted with cotton in the Laguna region of Coahuila and Durango.

The value of exports from the United States to Mexico in 1923 was \$120,637,838, an increase of \$10,753,838 over the value of the 1922 exports to that country.

HONDURAS

FAILURE attended the efforts of American Minister Morales early in March to negotiate for the peaceful occupation of Tegucigalpa by the forces of General Ferrera, supporter of Dr. Bonilla Liberal aspirant to the Presidency. Forces of General Ferrera occupied sections of the capital on March 10 after winning a victory over the supporters of Dr. Arias, another Liberal Presidential aspirant. The latter, after Feb. 1, remained at Tegucigalpa, where he dominated the forces of the de facto dictatorship until the flight, on March 4, of Dictator López Gutiérrez. Thereupon Arias assumed the powers of dictator; but after the death of López Gutiérrez (March 10) a decree of the de facto Cabinet, headed by former Third Presidential Designate Dr. Francisco Bueso, abolished the dictatorship, restored the Constitution, and voted to continue the war against the revolutionary leaders. An attempt to assassinate Bonilla by supporters of Arias, leader of the de facto Government forces, was followed by street fighting on March 11. This was finally ended through mediation of the Diplomatic Corps, which on March 10 arranged a seventy-one hour armistice in an effort to effect a permanent truce.

These efforts were futile and fighting for possession of Tegucigalpa was renewed on March 13, with the Government forces holding the advantage and with initial success attending their defense against assaults of the revolutionists. After meeting with reverses for three days, the Ferrera forces fused with those of General Carias, Conservative Presidential aspirant, and on March 17 a general attack was begun by the combined revolutionary forces against the Government forces in Tegucigalpa.

Anarchistic conditions prevailed in the capital where drunken Government soldiers killed many innocent people in the streets, fired into the American Legation and Consulate, and pillaged and sacked homes and stores with a consequent property loss of \$400,000, principally to American, British and Chinese merchants. At the request of the American Minister, a force of 167 United States Marines from the cruiser Mil-

waukee at Amapala were rushed to Tegucigalpa on March 19. These were fired upon by Government forces, and on March 20 the de facto Cabinet demanded that the American Minister request the withdrawal of the marines. The demand was refused until such time as American lives and property were safe and order was restored. At the request of General Ferrera a neutral zone, patrolled by marines, was established in areas near the American Legation and Consulates.

Meanwhile on the north coast revolutionists under General Tosta occupied La Ceiba on March 10 and two days later received the surrender of the fort. On March 25 the American Legation advised that the entire country was in the hands of the revolutionists except the capital, and that Generals Ferrera and Carias had reached an agreement for attacking it. This attack was launched the following day. On March 31 the capital proper was occupied by the revolutionists; on April 2 fierce fighting was reported by the American Legation, with the revolutionists holding the advantage.

In the meantime a group of revolutionary leaders, including Generals Ferrera and Carias, signed a proclamation on March 24 in which Dr. Fausto Davilla, a Conservative exile, was named Provisional President, pending the holding of elections and the calling of a constituent assembly for the purpose of revising the Constitution.

NICARAGUA

IN Nicaragua two Conservatives, General Emilio Chamorro and Carlos Cusdra, and three Liberals, Dr. Juan B. Sacasa, Leonardo Arguello and Luis Correa, are candidates for the Presidency, the elections for which are scheduled for October. On March 13 political riots in Managua between Conservative factions resulted in the death of two persons.

GUATEMALA

THE International Railways of Central America, a \$57,000,000 corporation with 597 miles of railway in operation, has been acquired from British interests by a group of American capitalists, according to New York announcements of March 26. This is now the largest American-owned railroad enterprise outside of the United States. Concessions for the construction of a 100-mile gap between Zacapa, Guatemala, and Santa Ana, El Salvador, have already been secured. When completed, this will give railway communication from the Mexican border and the Caribbean Coast of Guatemala to the Bay of Fonseca at the southern end of El Salvador.

CUBA

REFORM propaganda, bordering on the revolutionary, which was checked by extraordinary precautions of the Government in November, is again agitating Cuba. Early in March warrants were issued for the arrest of Dr. Oscar Soto, Secretary of the Veterans and Patriots' Association, which has been sponsor for the reform program. Dr. Soto was charged with complicity in a revolutionary plot in Santa Clara. At that time General García-Vélez, President of the Veterans and Patriots' Association, was in hiding in Havana, under indictment of the Supreme Court, charged with fomenting revolutionary activities. Notwithstanding this, President Zayas granted a request for an extension until March of his leave of absence from his post as Minister to England. When General García-Vélez did not leave Havana, President Zayas on March 10 gave him twenty days to resume his diplomatic duties in London, and on March 18 the court charges against him were dismissed. Instead of proceeding to London, General García-Vélez secretly proceeded to New York. There on March 22, two days after his arrival, he made a scathing attack on the Zayas Administration, charging it with the grossest corruption. Two days later President Zayas dismissed him from the Diplomatic Service. The following day (March 25) the Cuban Government suppressed that day's edition of *El Sol*, mouthpiece of the Veterans and Patriots' Association, for having published charges against the Zayas Government made by General García-Vélez, and also as an avowed move "against the inciting to revolution and the announcing of a revolution."

The greatest excitement was occasioned in Cuba by the above developments, and on March 28 General García-Vélez, in a cablegram to his followers in Cuba, urged them to rely solely upon peaceful agitation to achieve their reform program. He declared that his mission to the United States was not to foment armed revolution in Cuba, but solely to enlighten public opinion in this country with regard to conditions there.

A recent report of the United States Department of Commerce reveals the fact that American money invested in Cuba totals \$1,250,000,000 and that in addition American citizens hold \$110,000,000 of Cuban Government bonds.

HAITI

AS a result of peaceful conditions prevailing in Haiti, United States Marines by March 18 had been withdrawn from all interior posts. One marine brigade of 88 officers and 1,334 men was concentrated in Port au Prince and Cape Haitien.



SOUTH AMERICA

by Harry T. Collings

Professor of Economics, University of Pennsylvania

ACCORDING to a report of the Department of Commerce (March 30), approximately \$4,000,000,000 of American capital is now invested in Latin America. Of this total, \$3,150,000,000 is in industrial developments, while \$1,610,000,000 has been loaned to the Latin American States on public securities. These loans have been made chiefly during the last ten years.

The Standard Oil Company of New Jersey has completed arrangements to purchase from the International Petroleum Company of Canada 10,000 barrels of crude oil daily, which is to come from the latter company's production wells in Peru. The International Petroleum Company is credited with being the largest producer of petroleum in South America. The recent decrease of oil production in California and elsewhere in the United States has made it necessary to look to South America for oil.

North and South America are being brought into closer contact through improved transportation facilities and through the medium of radio telegraphy. A group of motorists starting from Guatemala City, in Central America, plans to circle the entire South American continent by automobile. The first Spanish program broadcast from the United States for the people of South America was presented on the evening of March 27 by Station KDKA at Pittsburgh. Announcements of the program were made in Spanish and the music consisted of Spanish compositions. Such concerts will be repeated at regular intervals. Because of the great range of KDKA its programs are frequently heard in Central and South America.

The Italian Government has shown its interest in developing trade with Latin America by sending the steamship Italia as a floating fair to Latin American ports. The vessel, carrying an extensive display of Italian products, left Spezia, Italy, on Feb. 27 for a 210 days' cruise, in which it will travel some 23,000 miles, completely circumnavigating South America, stopping at all the important ports, from one day at Punta Arenas, Chile, to ten days at Buenos Aires. In addition to increasing trade between Italy and South America, the Italian Government hopes by this project to acquaint South Americans with pres-

ent-day conditions in Italy as well as to attract tourists and foreign capital to Italy.

On March 18 the United States Senate ratified the "treaty to avoid or prevent conflicts between the American States." This convention was signed during the fifth Pan-American Conference last year by fifteen of the Latin American States. Its major provision is as follows:

"All controversies which for any cause whatsoever may arise between two or more of the high contracting parties and which it has been impossible to settle through diplomatic channels, or to submit to arbitration in accordance with existing treaties, shall be submitted for investigation and report to a commission to be established in the manner provided for in Article IV."

The findings of the commission are not to "have the value or force of judicial decisions or arbitral awards," but parties to the dispute agree, in case of non-acceptance of the decision, to continue friendly negotiations for at least six months.

ARGENTINA

THE United States Immigration Bureau has called to the attention of authorities in Argentina the fact that many immigrants from Europe who failed to gain admission here because quotas from their respective countries were full have been going to Argentina and then returning to the United States. Many of these bear false credentials from the southern republic to enable them to enter the United States.

The heavy increase in American tourists visiting South America this year prompted our Government to call attention to the difficulties these tourists encounter on entering Argentina owing to the immigration laws. Meticulous requirements regarding visas handicap travel. The Argentine law forbids entry to persons over 60, unless they are tourists, in which case a special visa is granted.

Damage running into millions of dollars along the northern coast of Argentina resulted from severe storms during the first week in April. The Italian steamship Montesubio and the British freighter Westbury were driven ashore south of Bahia Blanca.

BRAZIL

BRAZIL'S growing interest in world affairs is reciprocated by the increased attention which foreign nations are paying to her development. For two months past a British mission has been studying financial conditions in the Amazon republic. A Belgian commission is now to pay a visit for the purpose of strengthening economic and financial relations between the two nations. The Belgians will make a special study of banking conditions and credits, in preparation for the establishment of another branch banking house in Brazil. The mission will be headed by Count van der Burgh, Belgian Commissioner to the Centennial Exposition in Brazil last year.

Martial law was decreed in Bahia on March 19 for a period of thirty days, due to the fear of disorders at the inauguration of the new Governor. These energetic measures taken by the Government were successful in averting serious disturbances, and Senhor Goes Calmon took office on March 29.

The Brazilian Budget law for 1924 contains severe penalties for undervaluation of any consular invoices accompanying goods subject to ad valorem duties. Importers will be required to pay double the difference between the true value and the declared value whenever such a discrepancy is discovered. In accordance with common practice in Latin America, the Custom House officer who discovers the fraud shares in the proceeds of the fine. The Budget law also authorizes the Minister of War to expend \$360,000 for improved airplane service. The sum is to be equally divided between the purchase of airplanes and parts for the Military Aviation School, and the construction of landing places for the aerial navigation line, to be inaugurated soon between Rio de Janeiro and Porto Alegre.

CHILE

THE Congressional elections on March 2 proved once more the sterling qualities of the Chilean people. These elections have shown the citizens to be orderly and ready to decide political differences by the ballot rather than the bullet. The struggle between President Alessandri, Liberal, and the Senate, Conservative, has been amicably settled. The President proposed, in accordance with his party program, an income tax and the liberalizing of the National Constitution. This program was opposed by the Senate, which refused to pass the national budget until "the Executive gives guarantees that the elections to be held in March will be free and constitutional." This reasonable guarantee was given, and Presi-

dent Alessandri withdrew some measures which had evoked serious objection in the Chilean Senate. The March elections have given the President assurances that his program meets with popular approval.

COLOMBIA

BY Presidential decree, effective Jan. 1, 1924, all foreigners entering Colombia are required to appear before the Mayor within five days after arrival in a city for the purpose of presenting their passports for verification, and of supplying the police with information regarding their civil status, nationality, age, domicile, measurements, and so forth. All foreigners residing in the republic are required by this law to register within fifteen days after it goes into effect.

Colombia is sadly lacking in transportation facilities. To remedy this defect, special attention is being given to aerial transportation. A new aircraft service has been started during the last month between Medellin, Barranquilla and Cali, by the Colombia German Aerial Transportation Company. This service supplements the route covered by the same company along the Magdalena River, between Barranquilla and Giradot. Plans have already been completed by which all the principal sections of the country will be served regularly by air lines.

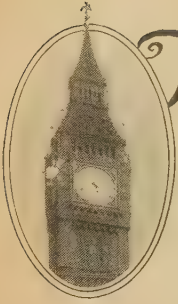
PERU

ANNOUNCEMENT has recently been made by the Government of Peru that the third Pan-American Scientific Congress will open its first session on Nov. 16 of this year. At the meeting of the second scientific congress in Washington (1916) it was voted that the third congress be held in Lima. Accommodations for housing the delegates and the meetings will be in readiness when the congress convenes next Fall.

URUGUAY

ACCORDING to the estimate of the Office of Statistics the population of Uruguay on Dec. 31, 1923, was approximately 1,603,000, an increase during the year of 38,000. The population of Montevideo, the capital, is placed at 418,000.

A daily airplane service has been maintained between Montevideo and Buenos Aires since Jan. 1 of this year. Service is afforded by two hydroplanes which accommodate six passengers and two pilots each. A small allowance of baggage and mail is also transported. This trip across the River Plate occupies an hour and a half, at the approximate cost of \$18.50 per passenger.



THE BRITISH EMPIRE

by Arthur Lyon Cross

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GREAT BRITAIN

LABOR in office continues to find its path strewn with difficulties. The Minister of Health has proposed a plan for building 200,000 houses a year, to cost £500 each and to rent for nine shillings (about \$2.25) a week; but it is estimated that this well-meant measure would involve a loss of some £2,320,000,000 (\$10,000,000,000) in twenty years. The recent authorization to the Poplar guardians to exceed the limit for out-door relief; the abolition of the gap in payments after twenty-six weeks, regardless of whether other members of the family are receiving wages; and a proposal to reduce the age at which doles begin from 16 to 14, are further drains on the already over-burdened British taxpayer. Since the armistice £392,000,000 have been spent in doles, £170,000,000 of which has come from the national exchequer. In regard to measures to cope with unemployment, the Minister of Labor has developed no measures essentially different from those recommended by his predecessor.

Held in check by the Conservatives and Liberals on one side, the Prime Minister and his soberer colleagues are constantly embarrassed by certain of their own followers. Although collective responsibility is one of the basic principles of the Cabinet system, some of the Ministers have disregarded it. Mr. Wheatley is said to have issued his Poplar order without consulting his chief, and Mr. Henderson, the Home Secretary, made his indiscreet remarks about the need of revising the Treaty of Versailles without seeking official sanction. David Kirkwood, one of the Scottish Labor group, has ventured to call Mr. Clynes a "jelly fish"; the Trade Unions clamor for more consideration; and, although a Trade Facilities bill for extending guarantees for a Sudan irrigation scheme was passed by a large majority, a section of the Laborites opposed it on the ground that it was a capitalistic enterprise. J. H. Thomas, the Colonial Secretary, has been receiving threatening letters and goes about with guards. On March 13 the Government met its first defeat, by 234 votes to 207, on a motion to suspend the 11 o'clock rule

in debating the army estimates; again, on April 7, they encountered another reverse on a question of evicting tenants for arrears of rent. Meantime, on April 1, the conservative elements carried a motion condemning the principle of the capital levy, 325 to 160.

The aristocratic element in the Labor Party has gained a new recruit in the person of Oswald Mosley, son-in-law of Lord Curzon and heir to a baronetcy. Discontent with existing conditions unites the most diverse elements. Unemployment, inadequate wages and bad housing are grim realities. Foul and crowded living conditions in Glasgow, for example, go far to explain the bitterness of the Socialist members of Parliament from the Clyde. The question is how to meet the situation. One result of the advent of the Labor Party to power has been to strengthen and stimulate the Conservative Party in an effort to attract young men to its ranks. In the words of Stanley Baldwin, it must recognize the "deeper and sterner resolve on the part of the people to maintain and if possible improve their standard of life." With full sympathy for the idealism of their opponents, Conservatives are determined to criticize "ill-considered schemes" and bend their energies to moderate and sensible remedies with a due regard for national self-reliance. In the opinion of many, the Liberals have been losing ground by the balancing feats they have had to perform.

Winston Churchill was defeated at the Westminster by-election on March 13 by the small margin of 43 votes. There were four candidates: Labor made a fair showing, but the Liberal candidate polled only 291 out of some 25,000 votes. Mr. Churchill thinks the result marks a long step toward a combination of all anti-socialistic forces.

Strikes continue to be ominously frequent. When their demand for an increase of 8 shillings (about \$2) a week was refused, 40,000 London street car and omnibus men walked out on March 21. Since the tramways are estimated to carry 2,400,000 and the omnibuses 5,000,000 passengers daily—many from far outlying suburbs—the people were put to all sorts of inconvenience. Finally, through the intervention of the Ministry

of Labor, the men agreed to return to work on March 31 with an increase of 6 shillings, with a possible 2 shillings more, according to the cost of living index. But the story does not end there. The Southampton shipworkers have been out for some weeks demanding a weekly advance of 17 shillings and 6 pence. Their demands are apparently not sanctioned by the Federation of Engineering and Shipbuilding Trades, and the employers threaten a lockout. The Miners' Federation has given notice of the termination of the present wage agreement on April 17. Indeed, it is estimated that trades affecting 2,000,000 persons, including wives and children, are claiming higher wages. For three days the men who are working in the British Empire exhibition buildings at Wembley were on strike. The men who carry the air mails are forming a union and resisting a reduction in pay."

There is a considerable demand for the introduction in Parliament of a minimum wage bill which the Government is reluctant to undertake.

British per capita taxation is now £15 18s., as against £3 11s. in 1913-1914. This appears to be about two and one-half times the rate in the United States. The end of the fiscal year on March 31 showed a surplus of £50,000,000. The estimates for 1924-25 are £785,655,727, compared with £816,616,000 for 1923-4. Reduction from 26 per cent. to 5 per cent. of the duty on goods imported from Germany will reduce the monthly revenue from that source from £800,000 to £150,000.

The publication of the French Yellow Book on March 9, in the opinion of *The London Times*, "removes the whole question of the Rhineland and the Ruhr to another plane, that of security." The majority in Great Britain sympathize more with this reason for invasion than that of reparations, though they think that better results can be obtained by restoring good relations with Germany. Prime Minister MacDonald favors a demilitarized area under the League of Nations. Undoubtedly, without conscription, Great Britain cannot give France the security she would desire from any military alliance.

The question of defense continues to be strenuously debated. A pacifist motion to reduce the army by 150,000, leaving about 11,000 to protect the empire, was on March 17 overwhelmingly defeated by 347 votes to 13. Under the new régime the army and navy estimates are reduced by only £7,000,000 and £2,200,000 respectively, and the air estimates are increased by £2,500,000. Stephen Walsh, the Secretary for War, takes the attitude that there are possessions to defend and that the question is a non-party one.

After careful consideration by a commission under Mr. Clynes the Government announced on March 18 that it had decided not to proceed with the Singapore base. Mr. MacDonald ad-

mitted that such a base would not be a violation of the Washington conference and that it would be of great strategic value, but argued that to build it would impair confidence in his pacific intentions. Many strong arguments against his decision have been urged, among them the need of protecting trade of an annual value of £890,000,000 and commitments to the Dominions since 1921. The House of Lords passed a resolution regretting the decision, but the Government was sustained in the Commons on March 25 by a majority of 76 votes. Canada and the Irish Free State have refrained from giving advice; the Prime Ministers of Australia and New Zealand have expressed keen disappointment, though they are not supported in their views by the Labor Parties in those Dominions; and General Smuts, Prime Minister of South Africa, applauds the move as a bold one for international peace.

The Government's scheme for cooperative farming embodies the recommendations of the Linlithgow committee for assisting farmers in the raising and marketing of their products.

IRELAND

THE attempted arrest of General Tobin and Colonel Dalton reveals a state of discontent which the reorganization of the Free State Army brought to a head. One aim is to hold places for the former members of the Irish Republican Army, another is to prevent the precipitating of thousands into an overstocked labor market; but there seems to be further deep-rooted grounds for dissatisfaction which have not yet been brought to light. A raid on a public house which failed to secure Tobin or Dalton, but which resulted in the arrest of ten others, led to the resignation of Joseph McGrath, Minister of Commerce and Industry, who asserted that the move cut across negotiations already on foot. In consequence of opposition to his method dealing with the situation, General Mulcahy, Minister of Defense, has resigned in his turn. Apparently there are to be no reinstatements of the officers who have left their posts; but, at the same time, in view of the abnormal situation, there are to be no court-martials or punishments. An investigating committee of three civilians has been appointed.

While the excitement of the mutiny was at its height the country was shaken by the news that four men in a motor car had trained a machine gun on a boatload of British soldiers peacefully landing at Queenstown from Spike Island. One was killed and twenty-eight, including women and children, were wounded. Although the assailants wore the uniform of the Free State Army and cried "up Tobin," they are repudiated by all parties, and the Government has offered a reward of £10,000 for their apprehension.

The boundary negotiations have broken down,

owing to the fact, it is said, that the Northern Government has refused to appoint a representative.

The labor agitator, James Larkin, who was deported from the United States as an undesirable alien, was on March 14 expelled from the Irish Transport Workers' Union. Bridges were blown up and roads destroyed in Longford and Westmeath on March 31 by road workers on strike against reduction of wages by the county councils.

The revenues of the Free State show an estimated yield of £31,000,000, as compared with £24,000,000 last year. However, it is reported that, though there is a balance of £7,000,000, and though £900,000 Exchequer bills have been paid, £163,181 has had to be written off, leaving a balance of £40,000 unaccounted for and the remainder for expenses, for which no vouchers can be found. Northern Ireland has a surplus of £46,778 for the year.

CANADA

ALTHOUGH the grain growers of the three middle western provinces of Canada have reaffirmed their devotion to the principles of their agrarian policy, such as cooperative production and marketing, zeal for direct political action is reported to be slackening, with a falling off in the membership of the Progressives (Farmers' Party). Despite their control of two Western Legislatures and their being the second party in the Dominion Parliament, feeling seems to be set against a class organization, and, except in Alberta, there is an increasing movement toward fusion with the Liberals.

Indications point to a stream of immigration greater than in any year since 1914. Particular efforts are being made to secure juvenile colonists, domestic servants and farm laborers. Some 95 per cent. of the farmers are offering employment all the year round instead of for three months, and agents of the Colonization Department of the Canadian Pacific Railway are working in their behalf in Great Britain and Europe. The Government of British Columbia offers to aid the suffering Hebrideans by granting £60 per family to settlers.

The liquor treaty between Great Britain and the United States was ratified by the Dominion House of Commons on March 21, and by the Senate on April 4, but with little enthusiasm. The plan to develop the St. Lawrence waterway project as a joint arrangement with the United States was assailed by a Liberal member on the ground that it would cost \$1,450,000,000, and that if the United States bore the major part of the outlay, it would exercise undue control. Chicago's plan of tapping the Great Lakes for her drainage canal has been attacked as "modern buccaneering," and it has been pointed out that

the States of Wisconsin, Michigan and New York have sent protests to Washington.

Mr. Lapointe, the Minister of Marine and Fisheries, stated on March 17 that Canada did not consider the preference adopted by the Imperial Conference as binding on the present British Government, and further that Canada would not subscribe to the principle that decisions of the conference were binding on the Dominion without the approval of the Canadian Parliament. A Conservative amendment to the budget, expressing regret that no measures had been taken to enlarge the home market, was defeated by 121 votes, the Progressives voting with the Liberals. Mr. Meighen, the former Conservative Prime Minister, declares that the Government has broken its pledges of economy and tax reduction, has banned capital, reduced industry and driven artisans to the United States. The estimates for this year are only \$400,572,000, as compared with \$463,730,000 last year.

Mr. Walker, who has been investigating the charges against Sir Richard Squires, ex-Premier of Newfoundland, has completed his report. Charges of irregularities made in this report have been challenged by the former Premier.

SOUTH AFRICA

MR. MACDONALD, the British Prime Minister, has accepted the invitation of the Parliament of South Africa to send a delegation to that dominion next September.

It was stated on March 9 that steps were taken when General Smuts was in London to deal with two representatives of the German Government regarding the status of 8,000 Germans in German Southwest Africa, now a mandated territory of the Union of South Africa. After trying unsuccessfully to persuade these Germans to apply for citizenship the Union passed a law making them all citizens within a specified time. The decision was upheld by the League of Nations in April, 1923. As a result of the London agreement they are made citizens automatically unless they refuse; but, in accordance with the German nationalization law, they still remain German citizens since they have made no application to change their status. Nevertheless, they are to have rights and duties within the Union, though they are exempt from military duty for thirty years; they retain free use of the German language, and retiring pensions are allowed to former German officials. Furthermore, the Union Government is to help German schools and to maintain a friendly attitude toward German churches and missions.

Reports from Bulawayo indicate that the new Government of Southern Rhodesia is pursuing a cautious and progressive policy. Finances are in good condition. The Rhodesia section of the

forthcoming British Empire Exhibition in London is aiming to attract settlers and £300,000 is to be appropriated for a land bank to assist "struggling farmers." The Government does not intend to purchase the royalties in mining rights of the Chartered Company if it should involve too heavy a burden. Though they plan to control the railroads, they regard it as dangerous to take them over with £13,000,000 debentures. If sufficient men do not come forward for internal defense, compulsory training may be imposed. Wireless stations to Salisbury, Johannesburg and other points are being installed.

AUSTRALIA

WHAT may be a momentous step was the decision of the Country Party in the State of Victoria, at a convention at Bendigo, to contest all seats at future elections regardless of their alliance with the Nationalists. As an immediate result Mr. Lawson, Premier of the State, resigned, and on March 18 reconstituted his Cabinet wholly from Liberals or Nationalists. Whereas Dr. Page, the leader of the Country Party in the Federal Parliament, declares that the action in Victoria is purely a State affair, the Nationalists in the Legislatures of the Commonwealth and in most of the six States need the support of the Country Party against the Laborites. When the Country Party was organized the large land-owners were taking a stand against the Socialistic tendencies of Labor and the small farmers against the extension of the eight-hour day. The farmers have distinct interests, for 60 per cent. of the population of Australia is concentrated in a few large cities, Sydney and Melbourne alone having a combined population of 1,750,000 out of a total of 5,700,000, with consequent control of markets, shipping and railroad facilities. Further, the empty spaces of the interior need to be peopled. Indeed, it has been said that the rise of the Country Party has been the most significant event in Australian politics since the war. Owing, however, to their drawing apart from the Nationalists, the Country Party lost a chance to defeat the Labor forces in Queensland and allowed conservative Tasmania to give Labor a victory. On March 26 it was reported that a Labor Government would be formed as a result of the elections in West Australia.

The battle cruiser *Australia*, the chief unit of the Royal Australian Navy, was sunk in the Pacific Ocean outside Sydney on April 12 in accordance with the terms of the Washington Treaty.

Soon after the arrival in London of E. G. Theodore, Premier of Queensland, the dispute between the Queensland Government and the holders of pastoral leases in regard to rentals was at last settled, with the result that there will no longer be opposition by the leaseholders to the Government's efforts to raise loans in the London money

market. It was because of this opposition that, on the last occasion, that Queensland required money from abroad, bonds were issued in New York instead of London.

INDIA

NO doubt the advent of the Labor Government in Great Britain aroused, in spite of Ramsay MacDonald's warning, exaggerated hopes of the Swaraj (Home Rule) Party in India; hence it remains to be seen what will be the effect of the firm refusal of the Secretary for India, Lord Oliver, to agree to the demand for a round table conference to consider altering the act of 1919 in the direction of further self-government. It is natural that the intelligentsia should resent the continuance of the British régime, however efficient. Reform efforts, however, have been hampered by lack of funds.

The attitude of the Swaraj majority has of late been decidedly hostile. On March 17 the budget was rejected in the Legislative Assembly and when a new budget was framed, with only the items included that were regarded as absolutely essential, it was again rejected. Thereupon the Viceroy in Council certified it as passed, over the heads of the Assembly. Incidentally, it should be noted that this is the first time for five years that there has not been a deficit.

There have been many evidences of disorder. On March 8, four civilians were killed and five others injured when the police fired into a body of cotton strikers in Bombay, who had burned bales of cotton and stoned railway carriages. A week later a bomb factory was discovered by the Calcutta police, two natives being caught red-handed making bombs and explosives. On March 17, at Cawnpore, evidence was presented to show that eight Indians were working with the Third International to overthrow British rule by force, and two days afterward, near the Afghan border a British officer and two soldiers were shot in ambush. In the teeth of all these incidents, the Assembly on March 20, by 68 votes to 44, voted to do away with certain repressive legislation for dealing with such emergencies. Also they recommended without division a wholesale jail delivery, and decided to adjourn indefinitely a discussion of the repeal of the cotton excise duty, which they have desired for years.

The fifth decennial census furnishes much valuable information on folklore, religion, ethnology, social structure and dialects. About 73 per cent. of the people are still engaged in agricultural and pastoral pursuits. The population is 319,000,000, a gain of only 1.2 per cent. over the previous decade, which is explained by the fact that the influenza epidemic of 1918-1919 took a toll of 12,000,000 lives.



FRANCE AND BELGIUM

by William Stearns Davis

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THE drastic Poincaré program of increased taxation and reduced expenditure, coming as it does on the eve of a general election, has for some time been arousing serious and steadily increasing opposition from all sections of the Chamber of Deputies. This opposition came to a sudden climax on March 26, when, with eighty Deputies absent, the Government found itself defeated by seven votes on the question of adding some 2,000,000 francs to a pension bill under consideration. M. Poincaré's answer to this defiance of his economy program was the resignation of the Cabinet and a defiant declaration that he would under no circumstances consent to head another Government. President Millerand, however, found means to reconcile M. Poincaré and two days later the retiring Premier had organized another Ministry, in which only two of his former colleagues figured. The rest had been displaced by new men, four of whom—MM. Loucheur, François-Marsal, de Jouvenel and Vincent—had been leaders in the fight on M. Poincaré's policies. Although he refrained from using the term, M. Poincaré had, in effect, formed a strong coalition Cabinet, which deprived the Opposition of the power to attack his policies unless, as is unlikely, it wishes also to attack its leaders. The personnel of the new Cabinet is as follows:

M. POINCARE—Premier and Minister of Foreign Affairs.

EDMOND DU PREY—Justice.

JUSTIN DE SELVES—Interior.

FREDERIC FRANÇOIS-MARSAL—Finance.

ANDRE MACINOT—War.

YVES LE TROCQUER—Public Works.

LOUIS LOUCHEUR—Commerce and Posts.

DANIEL VINCENT—Labor and Health.

HENRI DE JOUVENEL—Education.

JEAN FABRY—Colonies.

MAURICE BOKANOWSKI—Marine.

M. CAPUS—Agriculture.

LOUIS MARIN—Devastated Regions.

MM. Maginot and le Trocquer, the only survivors of the preceding Government, have been M. Poincaré's right-hand men in the exercise of coercion as a means of collecting from Germany, and carried out the occupation and exploitation of the Ruhr. M. François-Marsal, the new Fi-

nance Minister, has held the post before. He was the author of the "recoverable expenditure" system whereby expenditures for reconstruction not covered by receipts were financed by the emission of paper francs, the budget being balanced by the inclusion, on the credit side, of the reparations to be ultimately collected from Germany. Under this system the French floating debt has risen to 70,000,000,000 francs. Since he has been out of office, however, M. François-Marsal has advocated the consolidation of this debt, a task which is now entrusted to him.

M. Loucheur, formerly Minister for the Devastated Regions, opposed the Ruhr occupation and voted against M. Poincaré's proposal for legislation by administrative decree. M. de Jouvenel is one of the French delegates to the League of Nations and fought M. Poincaré's program of tax reform. M. Bokanowski, former Reporter General of the Budget, is an expert in financial and economic matters, and was probably included to give M. Poincaré advice in instituting the economies to be effected by the decree laws. Colonel Fabry has ardently advocated a vigorous policy toward Germany.

The new Government was coolly received when M. Poincaré, in the Chamber of Deputies, announced a policy which differed in no essential form from that of the preceding Government. M. Poincaré declared that the Ministry was "formed in the spirit of republican unity and national accord," and that France desired only "that the treaty [of Versailles] be respected; she asks only the peace which has been signed." Jeers and cat-calls interrupted him frequently as he read his declaration, but confidence in the new Government was voted (408-151) and M. Poincaré, despite a somewhat diminished popularity in political circles, remains the strong man of France.

The report of the Committee of Experts, headed by General Charles G. Dawes of Chicago, published on April 9, was hailed by the Paris press as a complete vindication of the French policy toward Germany in the reparation question. Emphasizing the point that fulfillment of the committee's recommendations depended on German good-will, most of the papers saw in the French Army the assurance of this.

The recovery of the French franc, which began early in March, was sustained throughout the month, the franc rising from as low as 3.42 cents on March 8 to 5.96 on April 10. This rise greatly strengthened the somewhat shaky condition of the nation's finances. Further strength was added by the final enactment into law of the 20 per cent. tax increase, passed under the necessity of doing something to check the fall of the franc and restore foreign confidence.

An interesting report has been published by the French Ministry of Labor to the effect that drunkenness in the republic has diminished 50 per cent. since 1914. Various causes combined to produce this result: for example, the prohibition of absinthe and the reduction in the number of saloons. A very decisive factor has been the high cost of strong liquors, many of which are now virtually beyond the means of workingmen and the average salaried man. It should be borne in mind in this connection that the French do not regard wine and beer as alcoholic drinks, but even the wine consumption has declined. In Paris it dropped from over 500,000 hectoliters (one hectoliter equals 26.42 gallons) in December, 1922, to under 400,000 hectoliters in December, 1923. This, too, is explained by high prices prevailing.

Of interest to Americans is the announcement that a powerful radio station is now operating on the French island of St. Pierre de Miquelon, off Newfoundland.

The United States has purchased for use as an embassy the handsome building at 2 Avenue d'Iéna. The sum appropriated by Congress for the purpose being inadequate, the deficit was supplied by Ambassador Herrick. The United States for the first time will have an embassy building worthy of the nation.

Newly published figures give some idea of the extent of the devastation wrought in Northern France by the war and the vast work of reconstruction accomplished between the armistice and the end of 1923:

Houses destroyed or damaged	741,993	Rebuilt ...	598,000
Land ruined by trenches, sq. meters	333,000,000	Restored, sq. meters	286,000,000
Factories damaged	22,900	Rebuilt ...	20,175
Oxen and cows lost	834,933	Replaced ..	528,214

BELGIUM

SINCE the reorganization of the Theunis Ministry early in March there have been few events of outstanding importance. The Belgian franc sank in value to 3.10 cents early in March

in sympathy with the causes depressing the French franc, and shared in the latter's rise, going up to 5.075 cents on April 10. In order to assure the situation, however, it was reported that the Belgian Government was seeking a large credit in America and would discontinue payments for reconstruction purposes except from revenues. On March 23 the Government undertook to curb speculation by forbidding the sale in Belgium of foreign securities belonging to foreign individuals or firms. The Government, however, asserted that the prosperity of the country was unmenaced. On March 26 Premier Theunis declared that "the tax yield was now nine times the pre-war amount, exports exceeded imports and continued to increase, Belgian industry was more powerful than it had been before the war."

Inasmuch as attacks were made by Socialist Deputies upon King Albert's salary, it was pointed out that the royal allowance had been unchanged since Leopold II. came to the throne in 1865. King Albert has not merely refused to accept any increase, but he has also declined an allowance for the Crown Prince, and paid all the expenses of his journeys to the United States, Brazil, France, Italy and Spain.

Belgium continues in her refusal to establish diplomatic relations with Soviet Russia, but to ease the situation has authorized Belgian consuls in Finland to issue passports to Russian citizens who can give good reasons for visiting Belgium.

On April 4 a "semi-official" denial was issued of reports emanating from French sources that Belgium might waive its right to priority of German payments under the Versailles Treaty. "We are authorized to say," ran the statement, "that the Belgian Government has never entertained the question of abandoning these rights."

Premier Theunis informed the Council of Ministers, on April 10, that it was the Government's intention to arrange with the United States for the funding of the Belgian debt to America. This act was said to have been virtually decided upon in the course of a recent conversation between Charles G. Dawes of the Reparations Committee, Premier Theunis and M. Van de Werve, Minister of Economics. M. Theunis stated that Belgium was extremely grateful to the United States for not pressing for the liquidation of the debt at this time, when Belgium was still awaiting the much-needed payments by Germany, but added: "We have given our word, and Belgium keeps her word both in war and in peace." He believed that in the negotiations America would take into account "the fact that our financial situation has been cruelly affected by the war, and she will not ask us to pay beyond our capacity."



GERMANY AND AUSTRIA by William R. Shepherd

Professor of History, Columbia University

BY far the outstanding event of the month in Germany was the death, on April 10, of Hugo Stinnes, the leader of German finance and industry. To the passing of this owner of factories, mines, mills, ships and newspapers, not only in Germany, but throughout the world, the German public gave more attention than to the report of the Dawes committee of experts on Germany's capacity to meet the financial obligations imposed by the Treaty of Versailles.

German comment on the experts' report ranged from an assertion of the inacceptability of some of its recommendations in their present form to an inclination to believe that, as a means of promoting the reconstruction of Europe, most, if not all of them, will have to be adopted. Criticism was leveled at the establishment of a sliding scale, rather than an absolute total, of payments to be made, thus holding the German people to an indefinite liability. Disapproval also was expressed of the stipulation that the report must be accepted or rejected as a whole, of the proposal to set up allied agencies of control, and of the concession of a moratorium that in reality was nothing of the kind, since payments, however low at the outset, must begin next year. These, it was said, constitute "absolutely unbearable burdens" for Germany to shoulder.

The merits of the recommendations were thought to lie especially in the provisions for keeping the country's economic organization intact, going so far as to insist upon the reintegration of the economic structure of the Ruhr district, even if the French and Belgian troops were to remain there. Other items that met with favor were those calling for an inclusion among reparation payments of the cost of maintaining allied troops and commissions, and for a thorough stabilization of German currency through the creation of a new bank of issue which would combine the functions of the Reichsbank and the Rentenbank. The plan to effect a complete transformation of the railway administration into a stock company that would contribute its share

toward the satisfaction of financial requirements likewise found adherents.

In the campaign preceding the elections to the Reichstag the utterances of Dr. Stresemann, the Minister of Foreign Affairs, evoked particular attention. Speaking as leader of the People's Party, he made statements that seemed to advocate a return to monarchy. The party itself certainly had no doubt that a republican system of government was permanently unsuited to Germany, in view of the history of the country and the characteristics of the population. Its platform, accordingly, demanded a replacement of the colors in the national flag by the old black, white and red, and the establishment of a "democratic monarchy."

The Nationalists proper were much less mindful of republican sentiment. "One people, one nation, one emperor" was their cry. In a manifesto issued on March 23 the German National People's Party, which must not be confused with Stresemann's party, declared for a restoration of the imperial throne, the repudiation of the Treaty of Versailles, the training of youth in the use of arms, destruction of the tissue of lies about the sole guilt of Germany in bringing on the war, the rebuilding of the Fatherland along Bismarckian lines and the end of the supremacy of the Reichstag.

These fulminations, however, had a greater repercussion abroad than a real significance at home. What counts in Germany is the quiet strength of the Catholic Centre, the permanent "little burgher" element in the political life of the country. It holds the keys to a situation in which the ebullitions of nationalism are not confounded with a war of revenge upon France. Were Germany treated by other nations more as a complex historic, human reality and less as an abstraction, the views and actions of its people would be quite easy to understand.

Chancellor Marx, the chief representative of the Centrists, sounded the note that is most pervasive when, in his repeated denunciations of every attempt on the part of either of the extremes of Right or Left to subvert the republican form of government and to foment schemes of attack upon

France, he said: "You cannot march against heavy artillery with walking-sticks!" Nevertheless he did not hesitate to hold the policy of rabid French Nationalists toward the inhabitants of the Ruhr, the Rhineland and the Palatinate primarily responsible for the rising tide of nationalistic feeling in Germany itself.

In Munich the trial of the conspirators of the "beer-hall revolution" of last November dragged on its weary length to a farcical conclusion. During the course of the proceedings General von Ludendorff, the former commander of great armies, disavowed any intention of heading a military revolt. Adolf Hitler, an erstwhile corporal, on the other hand, boasted of his purpose to march on Berlin at the head of his troops and drive the republicans out. Amid scenes of popular excitement necessitating the adoption of rigid precautions, the court pronounced its decision. It absolved General von Ludendorff of the charge of treason, gave Hitler and three of his associates what amounted to a short term of imprisonment, and inflicted a nominal sentence on five others which practically left them free. Bavaria at large rejoiced at the outcome and republicans everywhere were outspoken in their condemnation of it.

A few days later the results of the elections to the Landtag showed that the partisans of Hitler in that body had added greatly to their number, and at the expense of the Bavarian People's

Party, hitherto chiefly in control. The Communists also made gains at the expense of the Socialists, though not to the extent which had been expected. The delight of the extreme Nationalists over their successes was tempered, however, by the fact that the voters rejected their plan to amend the Constitution in a manner that would facilitate a return to monarchy.

With regard to the financial circumstances of Germany, a booklet by Dr. Luther, Minister of Finance, published early in April, indicated that the national wealth of the country had fallen since 1913 to 150,000,000,000 gold marks, whereas taxes had arisen from less than 11 per cent. to nearly 28 per cent. of the average income. Refuting the current assertion that the owners of capital are insufficiently taxed, Dr. Luther declared that capitalists pay 52 per cent. of the direct taxation, over against 14 per cent. derived from salary and wage earners. Only 6 per cent. is contributed by articles of luxury—a fact that would demonstrate how the purchasing power of the people has declined. A further statement presented for the first time an exact account of the paper money in the country, direct taxation, against 14 per cent. derived from salary and wage earners. Only 6 per cent. is contributed by articles of luxury—a fact that would demonstrate how the purchasing power of the people has declined. A further statement presented for the first time an exact account of



The Hitler trial at Munich: Streets in the neighborhood of the Military Academy (at right of photograph) strongly guarded by armed police. Even residents in the vicinity were not allowed to pass the barricades without a permit

the paper money in the country, apart from notes issued by the Reichsbank. On Dec. 31, 1923, the amount was equivalent to 815,000,000 gold marks, a figure that has since been reduced to 380,000,000. The total of currency printed wholly without legal authorization reached 321,000,000,000,000 paper marks, of which 105,000,000,000,000 are still in circulation.

A tax of 500 gold marks recently imposed on Germans who seek to leave the country on pleasure trips caused a sensation. The chief reasons advanced for it were the necessity of lessening the amount of rentenmarks carried out in this fashion, and the exercise of a salutary restraint upon exhibitions of luxury in foreign lands which contrasted all too harshly with the misery that prevails in so many quarters at home.

Despite the benefits conferred by the introduction of the rentenmark and the remedial measures taken by public and private agencies, acute distress continues among the professional classes and manual workers, notably in the case of the former. Fully 75 per cent. of the 10,000,000 children in the cities and towns receive insufficient nourishment. Food prices, to be sure, are lower, but they have not attained anything like the pre-war level. Wages, salaries and pensions also have suffered reduction, and the retrenchment affects an ever-increasing number of the middle class.

Although sanguine hopes were entertained of the success of the great semi-annual fair at Leipzig in aiding German exporters to regain a place in the world's markets, the prices were far too high to attract foreign buyers. The home demand, however, was strong, especially for textiles, footwear, porcelain and glass. One reassuring feature was the closing of deals at fixed prices. The disturbing word "freibleibend" (literally, "remaining free"), which signified the dependence of the price upon conditions at the time of delivery, had disappeared from the transactions.

AUSTRIA

THE general desire of Austrians to end at the earliest possible moment international control of their finances gained a measure of strength as the result of an agreement on the part of opposition leaders to refrain from blocking governmental policies aimed at the achievement of that object. By avoiding in particular, open debate over the disposal of the unused portion of the loan advanced by the League of Nations, the negotiations on the matter at Geneva could be facilitated.

In response to intimations by the High Commissioner of the League, that the Austrians as a people are not much inclined to endure the hardships incidental to the task of financial rehabilitation, it was pointed out that the workmen of the country are the lowest paid of their class in Europe. As such they could not be expected to save money in the face of a cost of living that by the middle of last February had reached the highest level since the war. Unemployment also has increased in the provinces. That Vienna happens to show a decrease in this respect is partly due to the Socialist administration of the city, which has managed to provide work for thousands of citizens on public enterprises without depleting the municipal treasury. Burdensome taxation was declared responsible for the fact that the Vienna Cooperative of Consumption, maintained by the organized workers and the largest of its kind in the world, had to pass the dividend on last year's business.

Though large sums were placed at the disposal of the Vienna banks to check the sharp fall in prices on the Stock Exchange which followed the rise of the French franc, the downward tendency continued. Speculation in francs, coupled with the purchase of goods on credit, threw huge blocks of securities on the market and augmented the already high rate of interest on borrowed money. Issuance by the Government, on April 8, of a proclamation requiring every independent member of the exchange to report to the authorities all transactions in French francs not already covered, helped somewhat to restore confidence.

The struggle between the conservatives and Socialists took on new phases in the failure of the former to win over a majority of the Vienna police force, and in the agitation of the latter against the continued service of nuns and nurses in hospitals, because of their alleged unwillingness to assist at operations disapproved by the Church. Just as the clericals denounced cremation, the remarriage of divorced persons and the attendance of Catholic children at schools to which non-Catholics are admitted, so the Socialists assailed what they termed the attempts of prelates to interfere in civic affairs, accused them of seeking to destroy the religious liberty guaranteed by the Treaty of Versailles and demanded a complete secularization of the management of public concerns. A recent judicial decision, permitting parents who withdrew from the Church to register their very young children also as non-communicants, was hailed as a great victory for the free-thinking element.



by
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ITALY

THE long-expected Parliamentary election took place on April 6. The victory of the Fascisti was even more overwhelming than was expected. Even without Mussolini's election law, which secures the party with a plurality (provided that the plurality amounts to 25 per cent. of the total vote cast) of two-thirds of the seats in the Chamber, the Fascisti would have won almost as many delegates, for they polled 64 per cent. of the votes cast. The new Chamber, according to the incomplete reports so far available, will be composed of 374 Fascisti, 39 of the Popular Party, 26 Socialists, 22 Maximalists, 17 Liberals, 17 Communists, 12 of the Constitutional Opposition, 11 Social Democrats, 7 Republicans, 3 of the Peasant Party, 2 Slavs, 2 Germans and 2 Sardinian autonomists.

The 374 Fascisti include the 356 delegates allotted to the winning party and eighteen additional delegates elected on the second Fascista ticket. In addition, the Government can count on the support of the Social Democrats and perhaps of the Liberals, so that the total Government vote will amount to more than 400 out of a membership of 535. Rarely in the history of Parliaments has a greater change in the composition of a Chamber taken place. A party numbering in the last Parliament only twenty-eight members has now risen to 374. The losses in the other parties have been correspondingly great. The Popular or Catholic Party and the Socialists, who together have held about half the seats in the last two Chambers, have both been greatly reduced. Except for the Fascisti, these are the only truly national parties with strength enough to present tickets in all the election districts. The rest of the Opposition was so disunited that only a very small measure of success could be hoped for. There was, however, surprise at the failure of the Constitutional Democrats, led by Bonomi and Amendola, who, through *Il Mondo*, Nitti's former paper, have carried on an active campaign against Fascismo. Though Amendola, the Deputy flogged by a group of Fascisti in the streets of Rome in December, was elected in Salerno, two leaders of the party,

former Premier Bonomi and former Deputy Corradini, were defeated in Milan and in the Abruzzi. Former Premier Orlando was elected on the Fascisti ticket in Sicily and the veteran Premier Giolitti was elected in Piedmont on a Liberal ticket that was thought at first to be a "flanking" party for Fascismo, but may not turn out to be as strong a support of the Government as had been expected. De Niccola, former President of the Chamber of Deputies, caused a stir by withdrawing his name from the Fascista ticket three days before the election. The new Deputies include many men who have hitherto had no political service. Many of them are experienced in farming, business or engineering. As would be expected of Fascisti delegates, they are, as a group, distinguished for their youth.

Unlike the usual elections, which are ordinarily attended by a considerable number of casualties, election day resulted in only two deaths and in a small number of wounded. Contrary to predictions based on the supposed apathy of the people in the face of the certain Fascisti victory, the number of votes cast was above the average of Italian elections. It was largest in the North, where, in spite of snow and unprecedented bad weather, the voters came out in numbers.

The certainty of the outcome has made the contest less hot than the usual election in Italy. Acts of violence on the part of both Fascisti and Opposition have been charged from time to time, but have not become general. The Fascisti have prevented the Opposition from holding large gatherings. While the largest theatres, such as the Costanzi in Rome and the Scala in Milan, have been available for meetings of the Fascisti, Amendola was, at the last moment, refused the use of the Miramar Theatre in Naples and Bonomi could secure no large audience hall in Milan. Numerous cases were reported of the prevention of Opposition meetings in the smaller towns. Perhaps the conduct of the election accounts for the defection of Giolitti, the withdrawal of de Niccola from the lists and the resignation from the Ministry of Posts of di Cesaro, who declared in a speech at Palermo that Mussolini had no conception of liberty.

The campaign speeches have contained much of interest. Amendola and Bonomi, speaking to small audiences in Naples and Milan, admitted freely the good that Fascismo had done, but pleaded for the restoration of constitutional lib-



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Amalfi, the Italian city which has been subjected to a landslide, causing buildings to sink into the sea

erty and democracy and for the end of a Government that depends for its stability on armed force. Former Premier Giolitti, from whom an endorsement of Fascismo was expected, delivered at Dronero on March 21 a speech that practically disregarded Fascismo and devoted itself in general to the defense of the policies of his own most recent Cabinet and the permanence of the work it accomplished. Among the most ardent endorsements of Fascismo may be mentioned the speech at the Scala in Milan by Salandra, the Premier who brought Italy into the war. Mussolini himself made only one genuine campaign speech—the address delivered at the Costanzi Theatre in Rome on March 23 to an assemblage of all the Fascisti Mayors of Italy. The gathering, held to celebrate the fifth anniversary of the establishment of Fascismo, was the culminating event of another day of processions and ceremonies such as have been very common of late in Rome.

Mussolini was, as usual, direct and frank. He spoke extemporaneously, with few oratorical flourishes. His speech was broadcast throughout Italy by a more extensive use of radio than had ever been employed in the country before. The "Duce" emphasized the genuineness of the revolution that Fascismo had brought, referred to the attitude of cooperation with labor and the progressive social legislation of the Government, defended the constitutionality of his election law and answered at length the implied criticism of Giolitti of his economic and financial policy. He rested his case rather on the achievements of the past than on promises for the future. He outlined plans for the expenditure of large sums for roads, aqueducts and harbors in South Italy which, he

said, was far less developed than the North. His intention in the future was, he said, to secure discipline at home and peace abroad, "to preserve the Government and to make Parliament function. You must not take too literally my remarks against Parliament. My sympathies and antipathies are well known, but I do not construct my policies upon them." The last important campaign speech was that of the Minister of Finance, di Stefani, at the Scala in Milan on March 30, when the announcement was made that a balance had actually been effected in the budget (presumably for the coming year), and that Italy would proceed to the payment of her debts. The Minister noted that, when account had been taken of money sent home by emigrants, the exports were practically equal to the imports, that the number of taxpayers had been increased by a million and a half and that increased prosperity in the country was indicated by the great growth of deposits in savings banks. He stated that the Government would proceed to a cautious but systematic reduction in taxes.

So far the censorship of the press, held in reserve by Mussolini, has not been put into force, though a speech of the Fascista leader, Finzi, indicates that it may be. But the Fascisti are active in their attacks on Opposition newspapers and particularly on Senator Albertini's paper, the *Corriere della Sera*, of Milan, long known as the foremost liberal newspaper of Italy. A number of times excited crowds have seized and burned packages of the paper that were being carried to the station, and on one occasion a train was stopped near Florence and all the newspapers burned. The *Corriere della Sera* continues to

abstain from independent comment on national policies, but gives full space to speeches and press comments that are unfavorable to Fascismo.

The annexation of Fiume to Italy, formally proclaimed at Fiume on Sunday, March 16, was accompanied by the bestowal of special honors on Mussolini and d'Annunzio. Mussolini received the Order of the Annunziata, the highest rank of knighthood in Italy, and d'Annunzio received the title of Principe di Montenevoso (snowy mountain). Montenevoso, a mountain which dominates Trieste, was ceded to Italy by the Treaty of Rapallo.

The settlement of the boundary of Jubaland is still under discussion between Italy and Great Britain. There has been much comment in the Italian press on the large British forces at present stationed in the Mediterranean.

A loan to Poland of 400,000,000 lire will soon be floated in Rome. This is the first large foreign loan to be made by Italian bankers.

During violent rain and storm, which have been continuous in Italy this Winter, a series of landslides on March 26 swept away the entire village of Vettica and sections of Amalfi, on the Gulf of Salerno. The victims number about 100 and the property loss is estimated at about \$1,000,000.

The old town of Amalfi with its medieval cathedral is safe, but the famous monastery of the Cappuccini, which has long been used as a hotel, was seriously damaged. The beautiful Amalfi drive was impassable and relief had to come by sea. The disaster seems to be due not to the heavy floods but to actual disturbances in the surface of the mountains. It is noteworthy that on April 1 Stromboli, the volcano off the north coast of Sicily, became very active.

THE VATICAN

ARCHBISHOP HAYES of New York and Archbishop Mundelein of Chicago were created Cardinals at a public consistory held in the basilica of St. Peter's on March 27. The Pope made the bestowal of the red hat an occasion of great honor to America. There was much disappointment when the Pope (not wishing, it is said, to name the Cardinals from South America asked for by King Alfonso) limited the choices of Cardinals at the December consistory to Italians. Early in March it became known that the two Americans would be named at the approaching consistory. Archbishops Hayes and Mundelein sailed on the Berengaria on March 7 and were in Rome some days before the formal ceremonies began.

The secret consistory was held on March 24, and on that occasion the Pope in his allocation to the Cardinals spoke in the warmest terms of the future of America, "that great, that wonderful country whose men have two inestimable treasures greater than any material treasures, intelligence and the will to do." The public consistory, held in the basilica of St. Peter's on March 27, was marked by historic pageantry. Throngs that included large numbers of Americans sought entrance to the church. After the public consistory, at which the red hat was bestowed by the Pope on the two new Cardinals, there was a private consistory at which the Pope placed on the hands of the Cardinals the large sapphire rings that are emblems of the office and performed the ancient ceremony of opening and closing the mouths of the Cardinals. After the ceremonies were completed Cardinal Gasparri, the Papal Secretary of State, gave the following statement to the press: "The Holy Father in raising two members of the American hierarchy



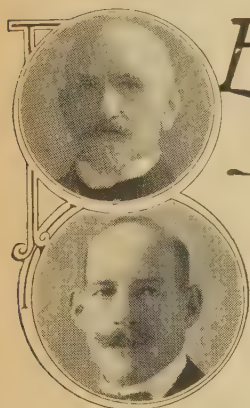
International

Pope Pius XI, proceeding to the Sistine Chapel of the Vatican to celebrate the anniversary of his coronation as head of the Roman Catholic Church. The photograph shows him being carried shoulder high on the Sedia Gestatoria with the two ostrich feather fans behind him.

to the Cardinalate has had in mind not only the merits of the new candidates but also the generous activities of the great American people in behalf of the suffering people of the world, thus promoting a spirit of peace and fraternal good-will among the nations." According to the ancient custom by which every Cardinal is assigned a special Roman church, Cardinal Hayes has received as his titular church Santa Maria in Via Lata and Cardinal Mundelein has been given Santa Maria del Popolo.

At the secret consistory on March 24 the Pope

expressed his satisfaction at the restoration of religious instruction in the schools. His words, which evidently referred to new Fascista policy, were interpreted by some Italian papers as an indication that the long-standing "Roman question" would soon be solved. The *Osservatore Romano*, official organ of the Vatican, called attention, however, to the Pope's comments on deplorable violence and unrest, and gave a warning against the assumption that the differences between the Church and the Italian Government are to be settled.



EASTERN EUROPE AND THE BALKANS

by Frederic A. Ogg

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ALBANIA

NOTWITHSTANDING a vigorous protest by Albania in the middle of March against Yugoslavia's demand for a rectification of the northeastern (Albanian) frontier the Italo-Yugoslav treaty of Jan. 27 has resulted in improved relations between Albania and Yugoslavia. While the Albanian Constituent Assembly continues work on the new Constitution, however, the internal condition of the country goes from bad to worse. Complaint is directed principally against the Premier, Ahmed Bey Zogu, on the ground that he has failed to put the public finances in order, to reform the incompetent administration and to facilitate the introduction of much-needed foreign capital. The gendarmerie is against him, and it is reported that if he does not soon retire voluntarily he will run the risk of being eliminated by a coup d'état. Zogu is an inexperienced and uneducated mountaineer of 30, whose judgment seems to have been warped by ambition.

The unsettled state of affairs in Albania was forcibly brought to the attention of Americans by the murder, on April 6, at the hands of highwaymen, of two Americans, Robert L. Coleman of San Francisco and George B. De Long of New York. The victims, who were motoring from

Tirana to Scutari, were attacked by a band of six men at a point about twenty-five miles from Tirana. The Albanian Government at once proclaimed martial law and announced that every effort would be made to arrest and punish the murderers. Subsequent advices from Tirana stated that two of the band had been killed by pursuing gendarmes and a third wounded.

BULGARIA

WITH a view to convincing the authorities at Belgrade that Bulgaria is sincere in her announced intention to keep peace with her neighbors, the Sofia Government continued during March to arrest Macedonian agitators and to intern them at places remote from the frontier. Among the measures taken to win the confidence of Bulgaria's neighbors was included the dissolution on April 3 of the Communist and Labor Parties. The threatened armed clash between the two States has been averted, although the situation remains critical. Belgrade believes that Bulgarian soil is being made the theatre of propaganda aimed at the breaking off of Serbia's Macedonian lands. Sofia considers that the Serbs are not properly appreciative of the great effort which Premier Tsankoff—himself traditionally friendly to the Macedonians—has made to disprove the charges and to remove any possible ground for them. Early in March it was charged at Sofia that a Yugoslav occupation of Bulgarian territory was about to be undertaken. At the same time

Teodor Alexandroff, leader of the comitadji bands which played a prominent part in the former Balkan wars, was openly boasting that he would attack and bring about a Bulgarian annexation of Serbian Macedonia as soon as the muddy roads would permit troop movements. From that day to the present, charges have continued to be hurled back and forth, and rumor has kept feeling at a high pitch. The great powers are reported to have warned against hostilities, but there is no denying that the quarrel continues to present tragic possibilities.

Like the French franc, the Bulgarian leu underwent a sharp decline in March, and with a view to staying its downward course, the Sobranje, at the instance of the Finance Ministry, passed a bill at the end of the month prohibiting the importation of goods not of prime necessity. No fewer than 154 classes of commodities were enumerated; although it should be added that certain of them may be imported in limited quantities under carefully prescribed exceptional circumstances.

An extradition treaty with the United States was signed on March 20, and shortly afterward the Sobranje ratified a naturalization treaty concluded between the United States and Bulgaria last November.

GREECE

GREECE was formally declared a republic on March 25, and this decree of the Greek National Assembly was confirmed by the plebiscite vote of April 13. The early returns showed the sentiment of the country to be overwhelmingly republican. The only royalist majorities were returned in the Peloponnesus.

In accordance with his previously announced intention, ex-Premier Venizelos withdrew once more from his country on March 10, sailing for Brindisi, on his way to Cannes and Paris. The entire Greek liberal world regretted his departure, though this regret was somewhat alleviated by the consideration that a great moral factor such as Venizelos is can be used to greater advantage for purely national purposes than for settling the present internal crisis, about which, indeed, he was not correctly informed when he first intervened from Paris. The ex-Premier said he was tired, needed rest, and had no plans for the future.

Meanwhile the ardent Republican leader Papanastasion, who, after the fall of the Kafandarism Cabinet, had agreed to form a Ministry, got together, March 9-11, a satisfactory group and, contrary to expectation in some quarters, won a vote of confidence in the National Assembly, although by the rather narrow margin of nineteen votes. Papanastasion had introduced a bill providing for suppression of the Glücksburg dynasty and a plebiscite on the future form of government. Though this bill was defeated, it was assumed that his policy in office would develop on these lines. So, indeed, it fell out. The first step, on

March 16, was to decree a change of the country's official title from "Kingdom of Hellas" to "Hellenic State"; at the same time it was announced that henceforth the Regent would sign no more decrees in the name of King George II. Prayers for the King and Queen ceased to be said in the churches; portraits of the sovereigns disappeared from the public offices; the "King's writ" ceased.

On March 25 came the long-looked-for event. Amid the booming of guns the 283 members present in the National Assembly unanimously voted a resolution declaring the dynasty deposed and proclaiming Greece a republic, subject to a plebiscite set for April 13. While the vote was being taken there was a great demonstration on the floor and in the galleries; and when the result was announced ten white doves were released in the Chamber as a symbol of peace. A Te Deum was sung at the Cathedral; amnesty for all political prisoners was proclaimed; the city burst into a mass of blue and white bunting and gave itself over to joyous celebration. The resolution passed read as follows:

The Fourth Constituent Assembly proclaims definitely the dethronement of the Glücksburgs, deprives the members of the dynasty of all right of succession to the throne and forbids their sojourn in Greece; proclaims Greece to be a republic on condition that such a decision be confirmed by the people by plebiscite, and authorizes the forcible expropriation of property belonging to all members of the deposed dynasty. Admiral Kondouriotis continues to exercise his present powers until a republican Constitution can be framed.

There were aspects of the situation, however, to cause some misgivings. In the first place, ex-Premier Kafandarism and sixty of his followers abstained from attending the session, on the ground that they did not wish to have a share in the responsibility for proclaiming the republic by the Assembly in advance of the plebiscite. In the second place, King George at first refused to accept what had been done and later yielded only when it was conceded that he might retain for life the presumably empty title of King of the Hellenes and four-fifths of his income, and that the Royalists should have two-fifths of the seats in the Senate which is to be created and should be restored to their places in the army. In the third place, the terms of settlement leave the way open for the exiled Royalist leader, General Metaxas, to re-enter the country's politics. He is considered the ablest General and the cleverest man in Greece, and his return from exile may be expected to give the conservative elements the leader which they now lack. "If I had five men like Metaxas," Kaiser Wilhelm used to say, "I could conquer the world." With such a leader the Royalists have it in their power to make much trouble. The first returns of the April 13 plebiscite, however, show that the Greek people as a whole are solidly in favor of a republican régime.

HUNGARY

A DEPUTATION of the League of Nations, headed by M. Avenol, the French financial expert, arrived in Budapest during the first week of March to make arrangements preparatory to the floating of the long-awaited foreign loan and the establishment of the international financial control agreed upon by the Reparation Commission and the League Council. Strong differences of opinion arose among the delegates (led, during the illness of M. Avenol, by Sir Henry Strakosch, President of the League Finance Committee) and the Hungarian authorities especially over the powers to be exercised by the Budapest Government during the period of reconstruction. Eventually, however, the League's terms were met, and on March 22 the delegates started back to Western Europe with the assurance that the necessary legislation would have been enacted by Easter. Before leaving Sir Henry Strakosch announced that the plan adopted provided for such a progressive reduction of military and other expenses and such an increase of revenues that by 1926 the country's budget would be completely balanced.

Greatly to the disappointment of the Hungarians, Mr. W. P. G. Harding finally refused to accept the post of Commissioner-General of the League of Nations, to supervise the restoration of Hungary, giving as his principal reason the unsatisfactory state of his health. The feeling persisted that the appointee must be an American, who would presumably be able to turn American money into the country's rehabilitation; and two names that began to receive favorable consideration were those of Mr. Frederick Delano, formerly a member of the Federal Reserve Board, and Mr. Roland W. Boyden, former unofficial observer of the United States on the Reparation Commission, both of whom declined. On April 5 the Hungarian Government invited Mr. Jeremiah Smith of Boston to take the post. Mr. Harding paid a visit to Budapest, March 25-27, where he conferred with Premier Bethlen and the newly appointed Finance Minister, M. Koranti, on the League of Nations scheme, and obtained information which, he said, would enable him to assist the plan when he returned to America. He expressed the opinion that Hungary has far greater resources than is generally realized.

The country's ills are, however, not merely financial. The present Government, including Admiral Horthy, the Regent, is doubtless sincere in professing to work only for the nation's rehabilitation along peaceful, non-political and self-sacrificing lines, similar to those which are being followed with measurable success in Austria. But there is, as in Germany, an irreconcilable faction which is bitterly opposed to any sacrifice of national pride, and from it all manner of trouble may be expected. In particular, there are the "Awakening Magyars," organized by a Jew-baiting militarist, Lieutenant Ivan Hejjas, and Colonel Paul Pronay, ready to indulge in bomb-throwing and other revolutionary activities on the

slightest provocation. These malcontents seem to be beyond the power of the Government to repress, and their activities keep the country in a ferment quite inconsistent with the orderly life which the League's plan of relief presupposes. Nowhere in Europe is the spirit of militarism less subdued; likewise the spirit of monarchism, although since the late Emperor Charles's ill-fated attempts to recover the crown of St. Stephen, no one seems to have been desirous of trying to supplant the Regent with a King until times are more propitious.

POLAND

THE Memel settlement in favor of Lithuania arrived at by a League of Nations commission, headed by Mr. Norman H. Davis, former American Under Secretary of State, and confirmed by action of the League Council on March 14, has been vigorously opposed in Poland, and it is reported that that State, by way of compensation, will seek to bring about a revision of the Danzig settlement that will give Poland unrestricted control of that port.

Mine strikes in Silesia and the Dobrowa district culminated in rioting. Two persons were killed and thirty-three wounded, nineteen of whom were policemen.

RUMANIA

AS part of the post-war territorial settlement in Central and Eastern Europe, the Supreme Council, representing Great Britain, France, Italy and Japan, signed a treaty in 1920 allotting Bessarabia to Rumania. The region had belonged to Russia since 1812. But after the Bolshevik revolution in that country an improvised Bessarabian "National Council" voted, in 1918, for annexation to Rumania, and the powers, in 1920, assented.

Ratification of the treaty by the French Parliament early in March of the present year revealed the highly contentious situation which the arrangement has produced. George Tchitcherin, Russian Minister of Foreign Affairs, in a note to Premier Poincaré protested sharply against what he termed "rank interference in Russian affairs"; the Soviet Government solemnly announced that, regardless of the ratification, it would never recognize the Rumanian claim to the territory in question; and at a long-prepared Russo-Rumanian conference held at Vienna, beginning March 24, proceedings were abruptly halted, on March 30, by the refusal of the principal Russian emissary, Krestinsky, to permit the Bessarabian question to be excluded from the territorial subjects to be discussed. Krestinsky characterized the Paris pact as "juridically worthless" and reiterated that his Government would not consent to Bessarabia's loss.

The key to Russia's policy in the matter is supplied by the desire at Moscow to see the establishment of a Moldavian republic which can be federated with Soviet Russia, as were the Asiatic republics of Mongolia, Turkestan, Khiva, Bok-

hara and the Caucasus. These autonomous republics serve to extend the frontiers of Soviet influence and to draw within Moscow's orbit peoples who would repel any attempt at outright subjugation. It is felt that the situation of Greater Rumania is so precarious that a considerable European republic of this type can rather easily be coaxed into existence.

The nucleus of it would be Bessarabia, whose population is, after all, predominantly Russian; and naturally the utmost is made of the tales of oppression at Rumanian hands, told by Bessarabian malcontents who find their way to Moscow and other Russian cities. One form of the scheme is to erect, along with Bessarabia, the Russian provinces of Kherson, whose capital is

Odessa, and Podolia, a little further north, into an autonomous Moldavian republic. That the project strikes a responsive chord in Bessarabia itself is indicated by the fact that the country has been for many weeks under martial law, with the prisons crowded with people accused of instigating or attending separatist meetings; and the inflammable character of the situation is in no wise lessened by the suppressed Hungarian fury over the Rumanian occupation of Transylvania.

The trip which King Ferdinand and Queen Marie had planned to Italy and Spain has been canceled, at the suggestion, it is stated, of the respective dictators—Mussolini and de Rivera. The grounds for this brusque step were not officially stated.



RUSSIA AND THE BALTIC STATES by Alexander Petrunkevitch

Professor, Yale University



IF it were not known that freedom of the press does not exist in Russia and that the Government is still pursuing a ruthless policy toward its opponents, the recent numerous expressions of admiration for Lenin, printed in Bolshevik papers, would produce the impression of a general hysteria following upon the death of a most popular and beloved leader. Nothing is more ridiculous than the announcement of the University of Leningrad (Petrograd), printed in the *Izvestia* of Feb. 19, that a special department for the study of Lenin's style and manner of writing has been created at the University. The servile spirit of similar manifestations is so apparent that it found a critic even on the pages of the Bolshevik *Pravda*. Such tendency may have blinded the eyes of any credulous observer, but not of the Bolshevik leaders themselves, who are perfectly well aware of their numerical weakness, and in the latest Communist Party drive for new members have directed that only workers and poor peasants shall be admitted to membership.

This servile attitude of many among the more educated and the "nouveaux riches" is only the expression of an oppressed people and of over-shrewd individuals who try to adapt themselves to the conditions under which they have to work. And the conditions, in many respects, are still the same. Speaking on March 6 at a joint meeting of the Executives of the Communist International, the Moscow Soviet, the Communist

Party and the Trades Unions on the occasion of the Fifth Anniversary of the Third International, Kamenev said: "We must be merciless to our enemies, be energetic and not cease until we reach the goal." Clara Zetkin, writing in *Pravda*, says: "Indisputably the Russian Communist Party conducts the affairs of all the world's proletarian organizations. The Bolshevik victory proclaimed Socialism on Russian soil, but the revolution toward our beautiful goal must be continued on an international scale by the proletariat in highly developed capitalist countries." And Zinoviev, Chairman of the Third International, referring to the question of the relationship between the International and the Soviet Government, made the following illuminating statement: "We know that we ourselves are the Soviet Government in Moscow and in Leningrad, our home." He has set forth fifteen tasks to the accomplishment of which the International must apply itself. These, as printed in the *Izvestia*, include the fanning of a proletarian revolution in Germany, the creation of a powerful Communist Party in Great Britain, the rendering of assistance to the Communists of America and Japan, and careful work in Poland. Collaboration is also recommended with the Communist parties of France, Czechoslovakia and Bulgaria.

Coincidentally, the Acting Chief of the Revolutionary Military Council, addressing the All-Russian Military Conference, made the statement

that: "Military matters must occupy the centre of attention of the Workers' and Peasants' State. We must expend much energy and much toil to create a strong and well-organized armed force." An editorial in the *Izvestia* of March 4 points out that Russia's interests require the creation of a strong air fleet, and that although Soviet Russia hates war she must increase her fleet to 490,000 tons, but would agree to only 280,000 tons if the Baltic and Black Seas are closed to all foreign warships, the Korean Gulf demilitarized and the warships of General Wrangel and Admiral Stark returned to Russia.

An interesting document signed by Mme. Ulianova (Lenin's widow), Chairman of the Central Bureau for Political Education Speransky, its acting head, and Smushkova, Chairman of the Central Book Committee, enumerates the books and publications which are to be eliminated from public libraries. The document is entitled "Instruction concerning the revision of the book lists of libraries for the elimination of counter-revolutionary and anti-artistic publications." The number of proscribed authors is great and includes many illustrious Russian and foreign names. To the readers of the *CURRENT HISTORY MAGAZINE* it may be most interesting, however, to learn that among the works proscribed are listed Descartes, Kant, Plato, Spencer, Schopenhauer, Nietzsche, James, Ruskin and Conan Doyle! "The division of Religious Works must contain only anti-religious works." Communist articles dealing with problems toward the solution of which "the Soviet Government has at present changed its policy" are also forbidden.

Some time ago the gradual decay of Petrograd, now known as Leningrad, was described in the foreign press. Now a Bolshevik correspondent of the *Bolshevist Economic Life* describes the decay of Odessa in that paper's issue of Feb. 22. The population of Odessa declined during the revolution from 600,000 to 300,000 inhabitants. Before the revolution there were 8,176 dwellings in Odessa, of which 952 were listed as ruined in March, 1923. At the end of that year the Government listed 412 additional dwellings as unfit for habitation. "If this proportion is maintained in the future," writes the correspondent, "Odessa will be a city of ruins in 14 years. Moreover," he goes on to say, "there are no funds for needed repairs and no men responsible for the maintenance of the buildings. To the Government the buildings are only a source of loss, because no one desires to be burdened with the expense of repair and maintenance of dwellings which are in poor condition." According to this correspondent, the picture which he draws of Odessa "is more or less characteristic of the cities of the Ukraine and other Soviet Republics."

Another correspondent, writing in the *Economic Life* of Feb. 27, describes the deplorable condition of the largest saw mill and paper fac-

tory in the Ural district. Here the wages of the workmen are paid irregularly and the workmen themselves sit, smoke and chat while the machines are idle and the buildings are in decay, with cracked walls, leaking roofs and ceilings covered with mildew. The Government of the district in which these plants are located owes the workmen 215,000 rubles for two months' wages. By the time 65,000 rubles of this amount was received by the authorities, the purchasing power of the ruble fell and the workers, disappointed in their expectations, looted the goods. In place of 2,680 workmen there are now only 1,370 and only 2 engineers for four plants.

Bandits have been brought to trial in various cities. In Minsk twenty-two members, including three women, of Ataman Monich's band have been sentenced to death. Adherents of the leader, who is still at large, have overrun the Borisov district, plundering villages and taking hostages who are threatened with death if the sentence against the twenty-two bandits is carried out. A Bolshevik leader, Davidov, member of the All-Russian Central Executive Committee, has been murdered in a village near Stavropol, Ciscaucasia, where he was investigating the alleged execution of hundreds of peasants by the Cheka for resisting tax collectors.

The trial of Krasnoschchekov, who was sentenced, on March 9, to six years of solitary confinement in prison for misuse of Soviet Bank funds, illustrates the low type of men often found in responsible positions. Krasnoschchekov's real name is Alexander Tobelson. For several years he was a lawyer in Chicago, then went to Siberia, changed his name and became President of the Far Eastern Republic and later managing director of the Industrial Bank. Although at the trial he admitted some of the charges preferred against him, he stoutly maintained that in his position as director he had a right to act as he did. The charges were that he allowed unduly low rates for credit and transfer facilities to his own brother; that he made an agreement with Hillman's Russian American Industrial Corporation by which his wife, living in Chicago, was to receive \$200 a month; that he misused the funds of the bank for his personal benefit; and that he falsely described his secretary as a Communist and gave her the power of signing his name during his absence from duty.

Attorney General Krylenko laid special stress on the "moral guilt" of the defendant. "Unlike bourgeois countries," he said, "we do not judge by the amount of monetary damage, or by the profit and loss balance sheet. Krasnoschchekov held a great position and I maintain that the evidence shows that he abused it." The animus aroused by the trial has found expression in heated discussions in the Bolshevik press and was due to the disgust of earnest Communists at the sight of the rapid development of profiteering or

"nepmanism" during the last two years under the influence of the new economic policy, and to a desire to clean house. Apparently in line with this policy about 100 "undesirables" have been banished from Leningrad to the Urals, including doctors, lawyers and engineers, who were accused of neglecting their duties and dabbling in speculation.

The head of the Georgian Church, Patriarch Ambrosin, was accused of high treason for having invoked the aid of the Western powers at the Genoa Conference against the Soviet occupation of Georgia. He was sentenced to nine years' imprisonment; his subordinates, Metropolitan Nasaréy and Archimandrite Dzaparidze received sentences of five years each, and two others three years each. This happened on March 20, and is an interesting aftermath of the demand of the Executive Committee of the Socialist International which held its meeting on Feb. 16-17 in the capital of the Grand Duchy of Luxemburg. At this meeting Tseretelli, once a Minister in the Provisional Government of Kerensky, represented the Georgian Social Democracy. On his plea the committee demanded the evacuation of the Republic of Georgia by the Bolshevik troops, and recommended that all Socialist parties affiliated with the Socialist International renew their demands that the Bolsheviks cease the persecution of non-Bolsheviks and release political prisoners.

Another clergyman, Archbishop Zepliak, head of the Roman Catholic Church in Russia, was released from prison on March 27 after numerous protests from all countries had been received.

According to advices from Berlin, the new Soviet silver coinage which was issued under the decrees of Feb. 5 and 15, is doomed to failure. The *Izvestia* reports that the coins are either being hoarded or else changing hands at a premium of 30 per cent. Meanwhile the value of the ruble fell to 500,000 rubles to 1 *tchervonetz*, while the latter, owing to a considerable demand for it on the market, advanced in exchange value.

BALTIC STATES

THE arrest of the Communists in Esthonia threatened for a time to develop into a case of grave international importance. The Russian Government took the stand that the accusation against their diplomatic representative Stark, of connivance with the Third International for the purpose

of fanning a Communist revolt in Esthonia and of supplying funds to Esthonian Communists for this end, was a malicious libel, and demanded an apology. *Izvestia* of Feb. 17 threatened Esthonia with reprisals. "We have in our hands," it said, "not only an economic, but also a political weapon, and we think that our Government will not refrain from making use of it in a proper manner." The Esthonian Secretary of Interior, Einbund, sent, on Feb. 27, a letter of apology to the Soviet representative Stark and the incident was closed.

The Esthonian Government has passed a law requiring that customs duties be reckoned in terms of gold francs, payment to be made in Esthonian marks at the rate of 66.66 marks to one gold franc. Latvian exports for the past year represented a value of 11,793 lats (a lat equals about 10 cents) to Australia, 238,415 lats to South Africa and 6,014 lats to Palestine. The chief export commodities were wooden materials, glassware, matches and liquors. New industrial undertakings to the number of 457 were founded during 1923. New regulations have been published regarding the control of eggs for export trade.



Esthonian types of the Island of Muhu (Moon). The man is playing an old-fashioned musical instrument



OTHER NATIONS OF EUROPE

by Richard Heath Dabney
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THE press censorship makes it difficult to learn the exact facts as to the military situation in Morocco. According to the Madrid special correspondent of *The Christian Science Monitor*, Rivera vehemently denies the "fantastic rumors" about Morocco. Yet he has sent over large reinforcements, has hinted that advanced and exposed positions will be abandoned, and admits, later, that the news from Africa is graver. When the Dictator refers to his domestic reforms, the public murmurs: "What about the Moroccan responsibilities?" This correspondent believes that if Rivera pushes his investigation of these responsibilities for military reverses in Morocco as thoroughly and sincerely as he has waged war on civilian corruption and incompetence, "the constantly rumored division in the army will become an actual fact."

Rivera himself says, in an interview granted to Joseph Galtier, the able correspondent of the *Paris Temps*, that the army was never so united as now. He also says that the censorship is not severe, and that he has confiscated no property and put no one to death, although he has banished people in defense of his Government and policy. Morris Bishop of Cornell University, speaking of the exile of Unamuno, in *The New York Times* of April 6, says that even the Czar did not exile Tolstoy. The correspondent of *The Christian Science Monitor* calls Unamuno the "Spanish Bernard Shaw," and *Les Nouvelles Littéraires* of March 1 contains a protest by the authors of France against his deportation.

King Alfonso, who has also been interviewed by the enterprising Joseph Galtier, admits having made, in May, 1921, the speech referred to in last month's *CURRENT HISTORY*, and justifies it. He denies hostility to parliamentary government, but complains of its insufferable delays. Admitting the good intentions of parliamentary statesmen, he thinks that they were unable to extricate themselves from the tangle of parliamentary red tape. He approved the coup d'état of the army under Rivera, and replied to the charge of having violated the Constitution, that the first article of that document makes it the sovereign's duty to serve and save his country. This, he thinks, the present Government is doing, and he also believes that it is supported by public opinion.

Joseph Galtier has also talked with Alexander Lerroux, the Spanish Republican, who predicted the coup d'état of last September as long ago as 1917. Señor Lerroux believes that though there is less of a Republican Party in Spain than ever, there are more Republicans.

Rivera has announced that the period of military service is to be reduced to two years, and that recruits who can read and write, or who belong to gymnastic societies, or are Boy Scouts, will serve for a shorter time.

Imitating the French Government's methods in stabilizing its currency, the Spanish Directory has succeeded, with the aid of London and New York bankers, in bringing about a substantial rise in the value of the peseta. The Government has forbidden the export of not only gold and silver coins and Spanish bank notes, but foreign bank notes also. General de Rivera has announced that with a reserve of 89,000,000 gold pesetas the condition of the Treasury is satisfactory. He explained the failure to cut down the budget by the heavy expenses of military operations in Morocco.

It is difficult to judge of the stability of the Directorate. One sector—Catalonia—is indignant at the policy followed by de Rivera in respect to itself, its grievances falling under four heads—language, common law, local administration and economic interests. The Barcelona correspondent of *The London Times* states that "a not inconsiderable body of opinion leans toward the view that Catalan rights can be secured only by open rebellion."

At least twenty people were recently drowned by the collapse of a bridge over the Guadalquivir near the village of Algaba. At another village, Monachil, the earth has been gradually moving, and has on several occasions swallowed up olive groves and houses.

PORTUGAL

LISBON was selected as the meeting place of the second Congress of the Latin Press Association, the aim of which is to cultivate among the Latin peoples a closer acquaintance with each other and development of their common interests. Joseph Galtier, correspondent of the *Paris Temps*, describes the banquets, excursions and other festivities accompanying the congress.

sional sessions, but says little of Portuguese politics except that there is much talk of a dictatorship. Placards announce its speedy arrival, while other placards say: "Down with reaction! The people want no dictatorship." It is undeniable, says Galtier, that Portugal is politically very discontented.

The British Consul at Lisbon, however, reports that it is an erroneous idea to suppose that Portugal is impoverished. The fall of the escudo, in his opinion, is no real indication of economic weakness. There is, he says, practically no unemployment, and the manual worker was never so well off as he is today. If this be so, it may be an explanation of the strike for higher salaries on March 19 of the Portuguese civil servants. The Prime Minister, however, declared that the strike was political, and that those who did not immediately return to work would be dismissed and replaced by soldiers.

Andrée Viollis, who contributes a very interesting article to *L'Europe Nouvelle* on the Portuguese political situation, attributes the political, economic and financial troubles of Portugal to the fact that the Portuguese Republic was too young a Government to endure easily the burden of the World War. Justice, he thinks, has not been done to Portugal's efforts in that struggle. It left her with a heavy debt, and then France imposed prohibitive duties on Portuguese wines. Under these circumstances the mere survival of the republican government, he believes, is a proof of its vitality. Viollis repudiates the contradictory opinions which he says are held concerning Portugal by 95 out of every 100 Frenchmen, viz., that Portugal is a land of revolutions and massacres. Lying-propaganda, he says, begun by the Germans during the war and mysteriously continued since, accounts for many false ideas about the country. He believes that there is now little danger of a restoration of monarchy, though there may be some danger of a Bolshevik upheaval—a danger made greater by disunion among the Republicans, who are split into seven or eight political factions without clearly defined principles.

NORWAY

BY the treaty of 1920, signed by nine powers, all of which will soon have ratified it, Spitzbergen, though not incorporated into Norway, will come under Norwegian sovereignty. The official language will be Norwegian, and the Administration, according to a bill soon to be considered by the Storting, will be in the hands of a Chief of Police stationed at Tromsø, Norway. In addition to an export duty on minerals there will be income and property taxes, assessed equally on Norwegians and foreigners. The importance of Spitzbergen is due to its large supply of coal, which has been mined by

Norwegians, English, Americans, Swedes, Russians and Dutch. In 1916 the American mining rights were bought by Norwegians.

The Norwegian Cabinet Council on March 25 decided to introduce a bill in the Storting for repeal of the prohibition laws. Effective enforcement has been found impossible, and the bill proposes that the importation of spirits be based on the State monopoly, and that town councils be allowed to establish incorporated societies, known as *Samlag*, in all towns where such existed in 1914. In these thirteen towns opportunity will be given to decided by popular vote whether to continue the arrangement or not.

Roald Amundsen arrived in Rome on April 2 from Pisa, where he has been testing the two electrically heated amphibious monoplanes, with which he soon hopes to fly to Spitzbergen, thence to the pole, and thence to Alaska. From Spitzbergen as headquarters he expects to make interesting scientific investigations from his planes, and perhaps to discover his ship *Maud*. Lieutenant Davison of the American Naval Air Service, who is to accompany Amundsen, is still at Pisa, organizing the mechanical part of the expedition. A banquet was tendered Amundsen in Rome on April 3.

SWEDEN

ACCORDING to a leading Stockholm paper, Sweden has exported in the last ten years about \$190,000,000, mostly for the purchase of Swedish bonds placed abroad. Sweden's \$25,000,000 of 6 per cent. bonds placed in the United States in 1919 have now nearly all been bought by Swedish investors. The public debt was decreased by \$27,760,000 in the first half of 1923. A bill has been introduced in the Riksdag for return to the gold standard, requiring the Riksbank to redeem its notes in gold.

Another bill, of great importance to the American export trade, has been introduced in the Riksdag, raising the import duty on foreign motor cars and placing a duty of about a cent and a half per litre on gasoline. One object is to stimulate the production of sulphite alcohol, which, through a Swedish invention, can be used as motor fuel.

DENMARK

AT the recent election in the Faroe Islands the Unionist Party polled 3,671 votes against the 2,390 of the Home Rule Party. For a number of years the Unionists have been steadily gaining on the Home Rulers; which seems reasonable, since the Faroese as well as the Danish language is used in the schools and churches, since the islands are represented in both houses of the Danish Riksdag, since there is a *Lagting*, or Council, for local legislation, and since the Danish State not only pays the salaries of officials and

supports the schools and churches, but also makes considerable grants to promote social welfare, communications, telephones, telegraph and post, fishing, shipping, agriculture and cattle breeding in the islands.

HOLLAND

AS the Dutch Government calculates a deficit of 106,000,000 florins in 1924 and of 130,000,000 for 1925, it proposes a reduction of 10 per cent. in the salaries of State officials, a cut of 12,500,000 florins in army and navy estimates, of the same amount in educational appropriations, of 20,000,000 in old-age pensions and of 18,500,000 in disability pensions.

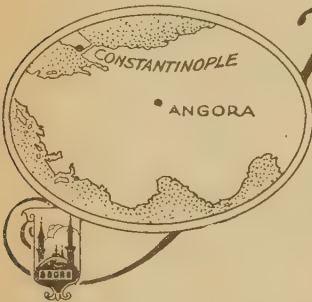
It was reported from Berlin on March 21 that the negotiations between Dutch and Russian emissaries had been broken off because the Dutch refused to recognize the Soviet Government. The Dutch newspaper Handelsblad, however, stated

that the Soviet Government had sent an Air Commission to Amsterdam to place new orders with the Foker works for military airplanes.

The First Chamber of the Dutch States General on March 20 approved the treaty with the United States for extending the duration of the arbitration treaty between the two countries.

SWITZERLAND

THE Swiss Government has just obtained from New York bankers a loan of \$30,000,000 in 5½ per cent. bonds, due April 1, 1946, and priced at 97½. The credit established in the United States will be used largely for the purchase of American cereals and other commodities. The Swiss Government is offering a domestic loan of not more than 200,000,000 francs to finance railway and hydro-electric development in Switzerland.



TURKEY AND THE NEAR EAST by Albert Howe Lybier

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HAVING cleared the way by the abolition of the Caliphate at the beginning of March, the Grand National Assembly at Angora occupied the greater part of its time during the remainder of the month in discussing, modifying and approving articles of the new Constitution.

A very sharp struggle was carried on from March 16 to March 30 over the powers of the President. The friends of Mustapha Kemal Pasha strove to obtain for him the rights of absolute veto upon legislation and of dissolution of the Assembly. The success of this proposal would have meant another Turkish revolution; it would have destroyed the unrestricted right of the Assembly to make the laws and execute them; it would have given to President Mustapha Kemal, who was elected by the Assembly, a power equal to that of all the Assembly, which was elected by the voters of Turkey. Shukri Bey, Deputy for Smyrna, expressed the views of the Opposition to the effect that Turkey has now a more perfect Constitution than other countries; and that to set up either a Presidential right of veto or a second chamber would be a reactionary measure. The question was voted upon three

times, and the majority against granting these powers to the President was overwhelming.

The right of dissolution and of ordering new elections is, therefore, to rest with the Assembly itself. The President is to be chosen by the Assembly from among its own members, and to hold office only during the term of the Assembly. The President was granted a mild form of suspensive veto. Ordinarily he is obliged to promulgate within ten days all laws passed by the Assembly; in the case of organic statutes and budget laws he may return such to the Assembly for further discussion, stating his reasons for so doing; if such laws be voted a second time, the President must promulgate them. Not even the supreme command of the army was confirmed to the President.

The article relating to the franchise, in its original form, confirmed to every Turk who had completed his eighteenth year a vote in the Parliamentary elections; every Turk who had completed his thirtieth year was to be eligible as a Deputy. It seems to have been the intention of the drafting committee to include women; the majority of the Deputies, however, felt that this would be going too far, and the word "male"

was inserted before the word "Turk." It was also provided that persons unable to read and write in Turkish are ineligible to become Deputies.

The crisis over the Caliphate required the formation of a new Cabinet. Its membership, which obtained a vote of confidence from the Assembly on March 6, was as follows:

ISMET PASHA—Premier; Foreign Minister.

KIAZIM PASHA—Defense.

FERID BEY—Interior.

NEDJATI BEY—Justice.

VASSIF BEY—Education.

ZEKKIAV BEY—Agriculture.

DJELAL BEY—Reconstruction.

HASSAN BEY—Commerce.

ABDUL HALIK—Finance.

REFIK BEY—Health.

SULEIMAN SERRI—Public Works.

The new Government continued its attack upon the Caliphate and the House of Osman. Beginning March 7, all mention of the Caliph was omitted from prayers in the mosques. Instead, the favor of God was implored for the republican Government and the Moslem nation. It was announced that during the coming Ramazan—the month of fasting—only those clergymen who had been properly licensed would be permitted to preach in the mosques. The Ministry of Education ordered the immediate removal from all schools of portraits of the Sultans, the ex-Caliph and other members of the House of Osman. Ismet Pasha announced to the Assembly on April 4 that on account of the ex-Caliph Abdul Mejid's opposition to the Assembly's decision, the Government had decided to discontinue his pension.

The Assembly voted an appropriation of 27,000,000 Turkish pounds for the army and 4,500,000 for the navy. To the latter sum was added 2,000,000 pounds for repairs to the former German warship Goeben and the purchase of submarines. Ismet Pasha declared on March 22 that it is unnecessary for Turkey to side with any group of powers; the sole aim of her foreign policy is to insure the security of the country and the maintenance of peace.

The Turkish Government has made somewhat contradictory announcements of policy in regard to non-Moslem citizens. The League of Nations was informed officially that there are no longer any Armenian refugees in Turkey; therefore Turkey is not interested in the arrangement of an identity certificate system for the Armenians as a people without a country. It was later announced that Armenians, Arabs and Georgians will not be allowed to reside in provinces near frontiers on the other side of which are people of similar speech. The Greeks will be allowed to live only in the neighborhood of Constantinople. Persons speaking a language other than Turkish may not group themselves in separate villages, with the exception of Kurds. In no town except Constan-

tinople may the non-Turkish-speaking inhabitants number more than one-tenth of the population. This will involve the removal of some 200,000 persons, for whom the Government undertakes to provide lands and houses. The non-Turkish inhabitants may be granted temporary permissions to visit other parts of the country.

The regulation of education continued to be pursued. All the theological schools of Constantinople were closed on March 15, and their 850 students were required to lay aside their special costume. They will be distributed among the ordinary high schools of the country. A single higher religious seminary is to be established in Constantinople, in which the religious instruction, it is said, will be scientific. The Ministry of the Interior on March 21 closed the Constantinople branch of the American Y. W. C. A. Rear Admiral Bristol, the American High Commissioner, objected on the ground that this action violated the Treaty of Lausanne. A few days later the Turks permitted the reopening of this work and promised a like permission for the Nurses' Training School connected with the American hospital in Constantinople; they also gave assurance of a favorable attitude toward Robert College and the Constantinople College for Women. The American Near East Relief on April 1 closed its hospital at Konieh and its orphanage at Caesarea. The orphans, as Moslems, were turned over to the Turkish Government. The cause of the relief organization's action was stated to be heavy taxation and persistent interference by local officials.

EGYPT

THE First Egyptian Parliament was opened on March 15 with picturesque splendor. King Fuad, wearing the uniform of Commander-in-Chief of the Egyptian Army, proceeded from the palace to the Parliament House in a royal coach drawn by six horses. Beside him rode Zaghlul Pasha, the Premier. In front and behind trotted detachments of mounted police and of the royal bodyguard. The British High Commissioner, Viscount Allenby, in the uniform of a Field Marshal, traveled in hardly less state. The streets were lined with happy and good-humored crowds who, nevertheless, saluted the British party with the cry "Down with incomplete independence!" Inside the Parliament House was a wealth of Oriental color and splendor. The King's throne and dais were in crimson and gold. The Egyptian Cabinet wore gold-laced ceremonial dress; Bedouin representatives were in many colored silk. The European diplomats wore resplendent uniforms. Among them the tall figure of the American Minister was conspicuous in severe black.

The Prime Minister read from the throne the King's speech. A salient passage was as follows: "My Government will be pleased to enter into

free and untrammelled negotiations with Great Britain to realize the national aspirations concerning Egypt and the Sudan, and there is every hope that these will attain success through the righteousness of our cause and the help of the Almighty." Promise was given of a prudent financial administration, a revision of taxation, a reorganization of administration, and conservation of the Treasury surplus which was inherited from the period of British control. The King received messages of congratulation from the Kings of England and Italy, and Zaghlul Pasha received one from Ramsay MacDonald, who is his personal friend.

On the same day the Parliament reassembled for organization. The left wing of the Nationalist Party promptly began pressure for a definite declaration of the complete independence of Egypt, including the Sudan.

Zaghlul Pasha was once a theological student, but he turned to the law, and then entered the Government service. He was 46 years old when in 1906 he became Minister of Education. In this capacity he received warm praise from Lord Cromer. He became later Vice President of the Legislative Assembly, but was not on good terms with Lord Kitchener. During the war he remained quiet, but two days after the armistice he appeared at the British Agency and demanded the recognition of Egyptian independence. With this began five years of struggle. He was deported twice by British authority, to Malta in 1919 and to Ceylon in 1921. Lord Milner's mission to Egypt in November, 1919, did not result in complete agreement. On Feb. 28, 1922, the British declared the independence of Egypt except for certain "reserved points." Pursuant to this declaration a Constitution was drawn up, under the provisions of which the new Parliament was elected. Zaghlul's influence in Egypt seems to be at present unbounded. In his years of struggle he has learned the advisability of compromise in political matters, and accordingly the British hope strongly for a satisfactory settlement of outstanding questions.

The Ministry of Religion has issued orders that for the present no Caliph shall be mentioned in public prayers, and that the State prayer shall conclude with a petition to God for Fuad as King. The budget estimates the revenue at \$172,000,000, and the expenditure at \$3,000,000 less. This will bring the surplus to \$90,000,000.

The tomb of Tut-ankh-Amen has remained closed since the public exhibition of March 6. The right of future investigation there is being tried out in the courts. The mixed court at Alexandria on April 2 upheld the right of the Egyptian Government to cancel the Carnarvon concession. Meantime negotiations for a compromise proceed hopefully, with the participation

of Professor J. H. Breasted and Dr. Howell, the American Minister to Egypt.

ARABIA

THE deposed Caliph, Abdul Mejid, issued a declaration at Territet in Switzerland on March 11, in which he affirmed that the Turkish Assembly's act of deposition was "fundamentally sacrilegious and void." He called upon the Moslem world to present suggestions for the assembly of a great Islamic religious congress to take action in regard to the future of the Caliphate. French opinion showed itself indifferent to Abdul Mejid's fate, inclining to the belief that the Sultan of Morocco would be a sufficient Caliph for the Moslems of French Africa.

King Hussein of the Hedjaz, who has begun calling himself "King of Arabia," was requested, as previously recorded, by the notables of his own kingdom, and of Transjordan, Palestine, and Iraq, to assume the Caliphate. He remained long at Amman, and issued a call for a Moslem council to be held at Mecca to decide the Caliphate question. Not only will he be confronted at such a meeting by supporters of the ex-Caliph, the Sultan of Morocco, and the King of Egypt, but friends of Sultan Ibn Saud of Nejd will oppose him actively. Ibn Saud has charged King Hussein with efforts to incite Saud's subjects to sedition and to coerce all Arabia into recognizing Hussein as king. "None of us can accept Hussein as our leader," Ibn Saud declared.

Oscar S. Straus, formerly American Ambassador to Turkey, visited King Hussein at Amman in the latter part of March. He discussed thoroughly the situation in Palestine and emphasized the importance of reconciliation between the Arabs and Jews as regards the Balfour declaration.

Efforts continue to be made to formulate a satisfactory treaty between England and the Hedjaz. Such instruments have been successfully negotiated between the British Government, on the one hand, and Nejd and Iraq on the other, not to mention lesser Arab States. If this final treaty can be carried through, moves can be made toward eliminating disagreements between the Arab States, and organizing an Arab Confederation. The stumbling block hitherto has been the Balfour declaration as regards Palestine. King Hussein was lately quoted as declaring that he will fight "political Zionism" with all the forces of the Moslem world.

PALESTINE

A REPORT issued from the office of the Chief Secretary shows that the budget for the year 1923-24 may be expected to balance. The Government has continued to improve the railways by work upon maintenance and the purchase of new rolling stock. Roads have been re-

paired and built, and the telephone and telegraph systems have been extended. Loans to agriculturists have been made to the amount of more than \$2,500,000. The Government possesses assets valued at \$26,000,000, against which stands indebtedness to the amount of \$22,500,000. A Government loan is proposed of \$12,500,000, part of which will be used to extend a portion of the present debt, while the remainder will serve to establish an agricultural credit bank, and to forward such improvements as afforestation, drainage and the building of schools. Plans for the construction of a modern harbor, properly equipped, at either Jaffa or Haifa, are far advanced. The financing of these will probably require a separate loan.

The trade of Palestine with the United States has been increasing rapidly. It is natural that since the war, imports into Palestine should exceed greatly exports from the country. Dr. Joseph Silverman, rabbi emeritus of Temple Emanu-El, returned lately from a visit to Palestine, where he visited forty out of the sixty Jewish "colonies." He was greatly impressed with Jewish activity and progress in Palestine, and declared himself publicly a convert to Zionism. He said: "Let me here set it down, without malice or boast, that at the present juncture of Palestine restoration, all sneers at Zionist dreams, ideals and performances are but the swan song of die-hard opponents." He urged the construction of a great temple near the new Hebrew University on the Mount of Olives, adding: "It is one of the fundamental principles of the Zionists that the sacred shrines of the Christians and Moslems in Palestine be guarded with as much care as those held dear to the Jews."

SYRIA

THE French censorship continues to prevent the ordinary transmission of current political news from Syria; only such safe information is released as that the archaeologist, M. Guigues, has opened two hitherto intact tombs at Sidon, which were found to contain a large number of earthenware vases and bronze arms and utensils, of about the fourteenth century, B. C.

Accordingly, there is little to counterbalance the statements of Dr. Abdul-Rahman Shahbender, leader of the Syrian Independence Movement, who is now in the United States, where he is vigorously attacking the French as oppressors of Syria. Dr. Shahbender is a graduate of the American University of Beirut. Though only forty years of age, he has struggled for Syrian freedom for nearly twenty years. He first supported the Young Turkish movement against the despotism of Abdul Hamid II. After the Young Turks had abandoned a liberal policy in favor of "Turkification," he joined the Arab National-

ist movement against their rule. During the World War he was in constant danger of being hanged, as actually happened to a considerable group of Syrian patriots, under the orders of the Turkish Governor, Djemal Pasha. After the armistice, as Minister of Foreign Affairs for Emir Feisal (who has since been made King of Iraq), he experienced what he considers the happiest period in the history of Syria. "But," he said, "France was only too eager to render its support to Syria more substantial and effective. Hence she sent 35,000 troops, three-quarters of whom were black Senegalese, to abolish the National Government, suppress the Representative Council and to put in its stead a ruthless military Government and a council against the formation of which the whole country protested." He also paid similar tribute to Great Britain, who, he said, "is not more sincere with the Jewish cause than she has been with the cause of the Arabs. * * * We believe she is using the Jews as a buffer between the French in the north and the Suez Canal in the south."

A treaty was signed in Paris on April 4 between the French and American Governments, guaranteeing equality of rights to American citizens and American interests in Syria and the Lebanon, in connection with the French mandate. The United States will be permitted freely to establish and maintain educational, philanthropic and religious institutions.

IRAQ

THE new Constituent Assembly of Iraq met at the end of March. Its membership is the most divergent of any of the new Moslem Parliaments. It contains Sunnite and Shiite Mohammedan Arabs, with members of the Senussi and other religious orders, together with Kurds, Turks, Christians and Jews. The Arabs are further sharply distinguished as townsmen, agriculturists and desert tribesmen. The most important questions are the adoption of the Constitution and the ratification of the treaty with Great Britain of Oct. 10, 1922. To the latter has been added a subsidiary agreement signed on March 25, 1924. There is considerable opposition to the treaty in the Assembly, particularly on account of the advantages allowed Great Britain. Britain may keep troops in Iraq until March, 1928, and may extend her privileges through future agreements. Britain is to keep advisers in the country for at least fifteen years. The army of Iraq will be trained and practically commanded by British officers. The capitulations are greatly modified, but foreigners are protected personally by the right to be tried in mixed courts where British Judges predominate. Iraq is to devote one-fourth of its revenue to the maintenance of the native army, to pay \$3,000,000 for

public improvements already provided by the British and to carry a share of the pre-war Ottoman debt.

The expedition to Kish on behalf of Oxford University and to Ur of the Chaldees on behalf of the University of Pennsylvania Museum have been working successfully through the Winter. Both have uncovered objects from 5,500 to 6,000 years old.

PERSIA

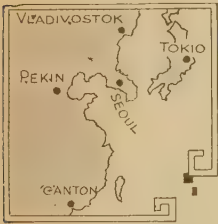
THE Persian Kajar dynasty narrowly escaped dethronement on March 21, the Persian New Year's Day, and replacement by a republican régime. It was saved only by violent popular demonstrations engineered by Moslem clergymen and theological students. Riza Khan, the Premier and War Minister, accomplished the greater part of the results desired by obtaining the deposition of the Shah, and his replacement by his son, an infant of two years of age. The ex-Shah was already absent from the country, on one of his too numerous visits to France. His brother, the Crown Prince, known as the Vali Ahd, left the country. The Prime Minister later issued a proclamation declaring that a republic for Persia is contrary to the Moslem religion; penalties will be imposed upon any one who mentions a republic. It has thus become clear that

Persian religious sentiment and public opinion are not yet ready to follow the lead of Turkey. Riza Khan is not likely to let the question rest indefinitely.

The British Government announced its decision to reduce the number of British Indian troops at Bushire from about 400 to 79. This will practically bring to an end a fifteen years' occupation of that port by British forces, and remove a conspicuous grievance on the part of Persia against Britain.

Mr. Forbes of Blair & Co., New York, on March 30 arrived in Teheran with full powers to negotiate a loan of \$10,000,000 in connection with the provisional concession recently granted to the Sinclair oil interests. If these negotiations are carried through successfully, the Sinclair enterprise in Persia will be spared the dismal fate of the Chester concessions in Turkey.

Colonel D. W. MacCormack, one of the American advisers, recently visited Mohammerah, and discussed with the Sheik the arrears of revenue which have been accumulated for several years. As a result the Sheik arranged to settle the account by instalments. As evidence of good faith, he presented the Persian Government with two armored cars.



THE FAR EAST

by Payson J. Treat

Professor of History, Stanford University

NO improvement can be reported in the political situation in China during the month.

The lull in military operations in the various war zones, following the successes of the Northern army in Szechuan, is generally considered a prelude to renewed activity when the warm weather comes. Reports of extensive operations may be expected at any time from the southern provinces of Kwangtung and Kwangsi, the coast province of Fukien, the central province of Hunan and the western province of Szechuan. Two major operations are not improbable, a clash between Chang Tso-lin of Manchuria and Wu Pei-fu, the most powerful of the Northern tuchuns, and an attempt to drive Lu Yung-hsiang out of Chekiang, although strong efforts have been made by the Chinese merchants and gentry to prevent any hostilities between Chekiang and the provinces of Kiangsu, Anhui and Fukien.

A proposal of Peking to convene the interna-

tional conference to discuss the 2½ per cent. increase in the tariff agreed upon at the Washington conference was negatived by France, on the ground that she had not ratified this treaty, and, further, because China refused to pay the French Boxer indemnity instalments in gold francs.

When, at the Washington conference, Japan agreed to restore Kiaochow to China, Great Britain promised to restore the leased territory of Weihaiwei, and France agreed, in principle, to the restoration of Kwangchowwan. The transfer of Kiaochow was effected in January, 1923, but Great Britain and China have not been able to agree upon the terms of the rendition of Weihaiwei. The entrance of the Labor Ministry in Great Britain encouraged the Chinese to believe that a more liberal treatment would be accorded them. The matter was placed (Feb. 19) before Ramsay MacDonald, who promised to study the question and expressed his desire to effect a settlement as

speedily as possible. No progress has been reported in negotiations with France regarding Kwangchowwan.

Reports from Chinese sources condemn the administration of the Kiaochow leased territory since its restoration by Japan. The fiscal returns for the first year are said to show a misappropriation of \$3,000,000, silver, a sum exceeding the entire departmental expenditures. The blame must be placed upon the representatives of the militarists who have been placed in control of this prosperous city (Tsingtao) and the surrounding area formerly under German and Japanese control.

The increase in piracy along the coast of South China has led to a study of the problem by the Hongkong Government and the adoption of new regulations on March 6. Ships sailing from Hongkong to Canton, Macao or the West River are required to carry at least six armed guards, and to other ports along the coast at least four. On April 5 pirates seized the Portuguese steamer Seixal on the West River, killing three guards and wounding the Captain of the ship.

The capture of Chengtu, capital of Szechuan, by Northern forces, was previously reported as of Jan. 17. Later advices place the date as Feb. 8. The defeated forces were allowed to leave without molestation.

Over against the many discouraging reports from China are others equally encouraging. The able administration in Shansi Province; the progress of education, and notably of adult education; the effective services of returned students wherever they have had a chance to enter the public service; the efforts to improve the quality of Chinese cotton and silk, the suppression of banditry in several areas where strong military commanders are in charge, these, and other similar developments, should counteract any feeling of unrelieved pessimism.

JAPAN

THE Japanese Constitution provides that when, for any reason, the annual budget is not passed in the Diet, the Ministry may use the sums appropriated in the last budget. The dissolution of the Diet on Jan. 31 made it necessary for the Ministry to prepare a "working budget" for the fiscal year 1924-1925. This was adopted on March 25. It calls for 1,347,000,000 yen, a reduction by 62,000,000 yen in the estimates laid before the

Diet last December. The navy appropriation is fixed at 238,000,000 yen and that for the army at 193,000,000.

The proposal of the American House of Representatives that a new conference be called to extend the principle of the limitation of naval armament met with general favor on the part of the Japanese press and, it was reported, of the Navy Department. With the heavy demands upon public funds due to the earthquake losses, Japan would welcome any proposal which would lighten her charges for defense.

Immediately after the earthquake of Sept. 1, Japan removed the import duty on foodstuffs and materials for the restoration of the devastated regions. The duties were restored on April 1, except on rice, which will be admitted free for some months.

A large hospital will be erected and endowed in Tokio with the sum of \$3,000,000 contributed by the American Red Cross. Foreign Minister Matsui, in expressing the gratitude of Japan to Ambassador Woods, said: "The hospital will go a long way toward promoting friendly relations between the two countries by permanently commemorating American sympathy for Japan. I beg leave to express sincere thanks to the Government and people of your country, as well as to the American Red Cross, for sympathy and good-will manifested in the matter."

Four officers and forty men of the naval Submarine 43 were lost when the vessel sank after a collision with a warship off Sasebo, on March 19. Twenty-six were drowned at once, but eighteen were still alive when rescue work began. By means of the underwater telephone their sufferings were reported until they succumbed to suffocation the next day.

An amazing story of lawlessness will be unfolded with the indictment for piracy of thirty-six Japanese who seized two Russian ships off the Siberian coast, and killed thirty-five of the crews. Their leader explained the crime as due to a desire to avenge the Nikolaievsk massacre.

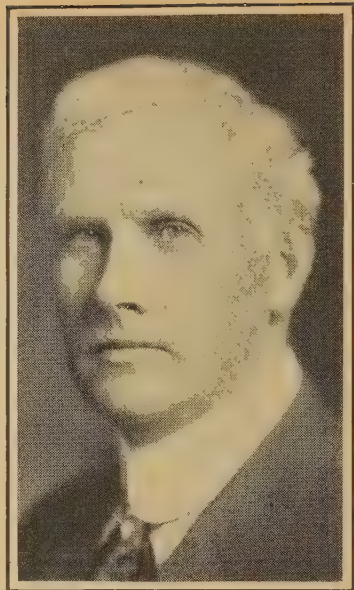
The report of the Kobe Chamber of Commerce on wages in Kobe indicates the rise in wages since the war. The highest wage for a skilled laborer was 5.00 yen a day for tilers. Plasterers and painters earned 4.00 yen, but a female match-maker earned only .65 yen. Before the war a wage of 1.00 yen was about the maximum for skilled labor.



A MONTH'S SURVEY OF INTERNATIONAL EVENTS

by Robert McElroy,
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Recognition of Soviet Russia—The Russian Soviet Government continues to spread its disturbing political influences over East and West alike. Russia's international battle for recognition goes on unabated. On March 26 the Japanese Foreign Minister announced that there would be no recognition of Soviet Russia until the fundamental questions pending between the countries had been settled. Among these questions is that of the release of certain Japanese detained at Vladivostok and the liberation of three consular officials, against whom there are charges of espionage.

Dr. Sun Yat-sen, the leader in South China, is making overtures to Soviet Russia. The fact that the North China Government has rejected Dr. C. T. Wang's tentative agreement with L. M. Karakhan, general Soviet representative in the Far East, providing for the recognition of the Soviet Government, is an encouraging factor for Dr. Sun. The Wang-Karakhan agreement contained several interesting points: (1) The Russians renounced their claims to extraterritoriality in China, to Boxer indemnity and to treaty port concessions, and agreed to conclude a commercial treaty providing for a tariff of equity and reciprocity; (2) it provided for the annulment, at a conference to be held within a month, of all agreements, protocols, contracts, and so forth, concluded with the late imperial Government of Russia and agreed to replace them by others based upon equality, reciprocity and justice; (3) it also declared void all treaties between the Czarist Government and any third parties affecting the sovereign rights and interests of China, including the Boxer protocol of 1901 and the Portsmouth Treaty of 1905; (4) it bound both Governments not to engage in propaganda directed at the political or social systems of either country; (5) it declared the Chinese Eastern

Railway a purely commercial enterprise, and provided that all rights relating to the national and local Governments should be administered by Chinese authorities. It also guaranteed to China the right to purchase the concession, but as the capital cost of the road was \$40,000,000, there would be little danger of such a purchase under the present condition of the Chinese Government's finances.

The agreement was rejected by China, apparently because the provision relating to Mongolia was ambiguous on the subject of the withdrawal of the Russian troops from that province, admittedly Chinese. Karakhan apparently refused to cancel certain treaties between the Russian Soviet Government and the Mongolian Government, one of which is understood to be in effect an acknowledgment of Mongolian independence.

Despite the rejection of this Russo-Chinese agreement, however, a peaceful solution of all questions at issue is still possible. Dr. Wellington Koo, the Chinese Foreign Minister, is already endeavoring to resume touch with Karakhan, but with little encouragement. The Russian position is that China has had her chance and has rejected it. Unconditional recognition of his Government is now the only proposal to which Karakhan seems disposed to listen.

The Russian press is inclined to blame America, Japan and France for the failure of China to accept the proposed terms of adjustment. The Russian official journal, *Izvestia*, according to a Moscow dispatch of March 19, declares that "the sole explanation is the fact that the imperialistic powers consider re-establishment of normal relations between Russia and China a

blow to their selfish annexation policy. We possess authentic information that France, America and Japan are bringing strong pressure on China to avoid an agreement, hoping by such means to retain China in the position of their colony, and extort from Russia recognition of their illegal pretensions."

GREAT BRITAIN AND THE CONTINENT

The British recognition of Feb. 1, 1924, has called forth an appeal from the Russian National Committee at Paris to the British nation.

The British recognition caused M. Yasikov, head of the Russian trade delegation, to write to Mackenzie King, Premier of Canada, asking whether Great Britain's recognition of Russia carried with it that of Canada. The Premier's answer was that Canada is prepared to grant recognition, considering this to be in the interest both of Canada and of Russia. This opinion, however, may have been altered by the publication in *THE NEW YORK TIMES* of March 28, 1924, of a remarkable document which shows the contemptuous manner in which Moscow regards the promises given the British Government to abstain from all propaganda throughout England in return for recognition. It is a letter of instruction to an agent in London definitely ordering the stirring up of trouble in Ireland. It is headed "Directions given by the Central Committee of the Third International in Moscow to the Communist Party in England." A few sentences will show the animus of the letter:

The opium of patriotism obscures the brains of the workers, who forget that their direct aims have been bargained by the min exchange for the rag known as recognition of their national independence. * * * The English Communist Party is to join the Labor Party as an entirely independent unit, and obey the latter solely in regard to question of professional policy. The English Communist Party is to maintain a complete interior organization, with funds, liaison service and—this is essential—its own system of agitators, who must continue to work under the latter's instructions only during the election period. * * * The Third International Committee feels sure Ireland will be the breach through which revolutionary reserves will be able to invade England.

In Holland the Second Chamber on March 20 rejected two resolutions looking toward the recognition of the Soviet Government. The first was presented by the representatives of the Social Democratic Party, and the second by the Communist Party.

On the same day it was reported from Copenhagen that the Danish Foreign Secretary will ask the Rigsdag for permission to acknowledge the Soviet Government as a *de jure* government.

The news from Vienna, where several Balkan States have been engaged with Russia in discussing their special problems, indicates that the Soviet Government looks upon Vienna as a new bridge between Eastern and Western Europe, and

as a great centre for propaganda of all sorts, especially for Russian industry. The Russian-Rumanian negotiations opened there formally on March 27, the aim being the settlement of a host of post-war questions, most serious of which is the sovereignty over Bessarabia, which Russia has never recognized as Rumanian territory, although it is Rumanian by the declared wishes of its inhabitants and by right of conquest and has been recognized as Rumanian by both Great Britain and France.

M. Krestinsky, the chief Soviet negotiator, on March 30 demanded a referendum to the people of Bessarabia of the question of annexation to Rumania, insisting that it be conducted so as to avoid the danger of intimidation. In making this demand the Russian delegates repudiated the Rumanian treaty entered into at Paris in October, 1920, by which Bessarabia was granted to Rumania. The population of Bessarabia is reported as 47 per cent. Moldavians, 40 per cent. Ukrainians, White Russians and Jews, 10 per cent. Bulgarians and Germans, and 3 per cent. other nationalities. A plebiscite of the character suggested would have been interesting, but unfortunately the conference broke up in confusion on April 2, the rupture coming upon the point, insisted upon by the Rumanians from the first, that negotiations could not proceed until Russia had recognized the frontiers fixed at Lausanne. Only upon this condition will the Rumanians consent to another conference, and M. Krestinsky, as the principal Russian delegate, declares that a Bessarabian plebiscite is a matter of principle with the Soviet Government, and that it will be insisted upon.

League of Nations—The rapid increase of the opium traffic has of late caused general alarm. The League of Nations Council on March 15, confirmed the authority of the Preparatory Committee, of which the United States is a prominent member, to draft the guiding principles of the first of two international anti-opium conferences to be held under the auspices of the League of Nations. The conference will include the leading Western nations with Far Eastern dependencies, and its aim will be the limitation, if not the complete suppression, of opium consumption in the Far East. China, India, Japan, Portugal, Siam, Belgium and Italy will be invited to send representatives to collaborate with the Preparatory Committee in arranging the program of the conference.

It is estimated that China is today producing from 7,000 to 10,000 tons of opium annually, which is said to be more than double the amount produced by the rest of the world. With the possible exception of Shansi and three or four of the maritime provinces, the poppy is reported to be cultivated in larger quantities than formerly in every province, despite the fact that the Central Government of China forbids poppy produc-

tion. The explanation is that the Tuchuns (Provincial Governors), finding the cultivation of the poppy a fruitful source of revenue for the support of their armies, have systematically encouraged and developed its production, in some provinces actually forcing this nationally illegal production by penalizing the farmer who obeys the Federal law and neglects to grow the poppy. In addition they are said to tax the fields and levy a toll on opium exported from the province. It seems evident that the increased production of opium in China is due in large measure to the imposition of taxes too heavy to be borne by any other crop. Indian opium, which is officially excluded from fifteen provinces, appears to be systematically smuggled in, regardless of this exclusion law. The Geneva dispatch of April 1 reported that no progress was made at the first meeting of the Preparatory Committee, but that there will be another meeting at Geneva on April 23, when the committee hopes to reach an agreement.

AMERICAN PARTICIPATION IN LEAGUE

The twenty-eighth session of the Council of the League of Nations which began on March 10, 1924, was marked by an increased participation of Americans. Mr. Norman Davis, formerly Under Secretary of the American State Department, was largely responsible for the report which appears to have placed the vexed Memel affair in the way of a speedy solution. Mr. Henry Morgenthau, former American Ambassador to Turkey, was President of the commission which, under league auspices, settled the Greek refugee problem. In the successive stages of the opium question, now in a critical stage, American cooperation has steadily increased. At the meeting of the council just closed four Americans attended officially, including Mr. Neville, an official of the American State Department, and Mrs. Hamilton Wright, an American, was appointed assessor on the commission.

Miss Grace Abbott, head of the Children's Bureau of the Department of Labor, was appointed to the committee established to deal with traffic in women and children and she has launched a world wide inquiry into that subject, toward which the American Social Hygiene Bureau has contributed \$75,000.

The league's Health Organization now has as its Vice President an American, Surgeon General Cummings, and the Rockefeller Foundation has given an annuity of \$150,000 for its work. Its assessor is also an American, Dr. Alice Hamilton.

Though the American Government took no part officially in the recent Austrian reconstruction, unofficial America was a real factor in the solution of the large financial problems involved. Congress postponed American liens

against Austria, and American bankers raised \$25,000,000 toward the Austrian loan.

In addition, the United States has been represented at certain general technical conferences, including conferences on customs, freedom of communications and transit, and obscene publications. There has been also during this session much private cooperation by individual Americans and by American organizations interested in certain specific phases of the league's work.

Dr. Manley O. Hudson, Bemis Professor of International Law at the Harvard Law School, strongly emphasizes the fact that American citizens and American organizations, in astonishing numbers, have taken leading parts in the more important activities of the league. "The United States has not joined the League of Nations," writes Professor Hudson, "but it is not so clear that America is wholly out of the League * * * Many of the League's activities are today manned from this side of the Atlantic." He then devotes a full page to an enumeration of the various ways in which the League has enjoyed valuable American participation, the cooperation extending "through the whole period since the covenant was promulgated as a part of the treaty of peace."

Ambassador Herrick on April 4 signed a treaty with France guaranteeing equal rights to Americans in territory under League mandate to France. This represents a tendency which is steadily making it easier for Americans to cooperate with the League of Nations without joining it. At first the Allies in the League showed a tendency to exclude the United States from equal rights in such territories, but our State Department steadily insisted that as participants in the victory over Germany we were entitled to claim equal rights for our nationals therein, even though America was not in the League. This French treaty is but one of many evidences that our position is now recognized.

FRENCH SECURITY THROUGH LEAGUE

The new British Premier, Ramsay MacDonald, on March 27, informed the House of Commons that France will get her desired security as regards Germany, not on the basis of an Anglo-French treaty of guarantee, but through "the wide scope, amplitude and moral authority of the League of Nations." He would have a neutralized zone along the Rhine under the League's guardianship, making it clear that any violation of it would be a *casus belli* against all members of the League. The answer of Poincaré, contained in a Paris dispatch of March 30, was equally significant. Poincaré declared France ready to agree to Germany's admission into the League in September upon condition: (1) That Germany accept the experts' reparation plan as it may be amended by the allied governments, and put into effect, so far as might be expected, by September; (2) That Germany accept

investigation of her military status as proposed in the recent allied letter to Berlin, which so far has remained unanswered; (3) That Germany agree to facilitate periodic inspection of her military forces by the Council of the League, as provided by the Treaty of Versailles.

This does not mean any weakening on the part of Poincaré, whose position as leader of France has been strengthened by the recent overwhelming vote of confidence. "France will not evacuate the Ruhr," he recently declared, "until payment is made in total." But his conditions show Germany exactly how she can overcome the French opposition which is keeping her out of the League.

PROPOSAL FOR NEW DISARMAMENT CONFERENCE

Despite the disappointments which followed the Washington Conference for the Limitation of Naval Armaments, much discussion arose in many lands in the month of March concerning the recommendation of the Assembly of the League of Nations that a new conference be called and new disarmament agreements arrived at. On March 24 Soviet Russia notified the Secretariat of the League that she was ready to sign such agreements. The only other nations that had previously replied were Belgium, Finland and Estonia, all expressing acquiescence. On the same day Premier McDonald told the House of Commons that it had been reported to him that President Coolidge had been asked by Congress to call another conference, but that no definite information had reached him through official sources. "Until the proposal, if there is one, is in my hands," he added, "I cannot say what I would do beyond welcoming it."

OTHER LEAGUE ACTIVITIES.

The League's Economic Committee has been confronted with the question of the fiscal status of foreign residents in countries which are members of the League, and has referred it to a Committee on Equitable Treatment. The question was brought up by Meneichiario Adachi of the Japanese permanent delegation, and it is understood that Japan is demanding some form of international standardization governing the admission of foreigners into all countries and the determination of their economic rights. The Economic Committee is proceeding with caution, as the question is highly controversial in nature, with explosive possibilities. The committee's plan is first to collect detailed information from the various countries regarding the actual status of foreign residents, and then to suggest certain definite alterations.

A Geneva dispatch of March 15 announced the formation of a special department of the League of Nations to handle all matters concerning the protection of the children of the world. The new bureau will take over the work of the International Bureau for the Promotion of Child Welfare, which has been functioning in Brussels under the auspices of thirty governments and various national organizations.

It was announced at Geneva on March 17 that Brazil had decided to accredit an Ambassador to the League of Nations. As this is the first instance of the kind it created the utmost interest in League circles, which interpreted the decision as a step in advance, and likely to have far-reaching influence on the future development of the League.

DEATHS OF PERSONS OF PROMINENCE

SIR WILLIAM DUFF REID, builder of the Newfoundland Railway, at Montreal, March 12, aged 57.

ELIJAH WATT SELLS, noted accountant, who, with the late Charles W. Haskins, revised the accounting system of the United States Government, at New York, March 19, aged 66.

General ROBERT GEORGE NIVELLE, noted French soldier, at Paris, March 21, aged 65.

IVAN GUESHOFF, former Premier and one of Bulgaria's leading statesmen, at Sofia, March 12.

General MAURICE JOSEPH PELLE, French soldier and diplomat, at Toulon, March 16, aged 55.

SIR WILLIAM MACEWAN, Professor of Surgery in Glasgow University, at Glasgow, March 22, aged 76.

Dr. PURLEY A. BAKER, for twenty years General Superintendent of the Anti-Saloon League of America, at Westerville, Ohio, March 30.

LOUIS F. LATZER, inventor of the process of evaporating milk in vacuum which made milk

preservation possible, at Highland, Ill., March 27, aged 76.

Dr. ORVILLE WARD OWEN, propounder of the theory that Lord Bacon really wrote Shakespeare's plays, at Detroit, March 31, aged 70.

ELIPHALET REMINGTON, last of the members of the firm of E. Remington & Sons, which manufactured the Remington gun used by the Union forces in the Civil War, at Ilion, N. Y., April 2, aged 95.

VICTOR D. BRENNER, medalist and sculptor, at New York, April 5, aged 53. Born in Russia, Brenner came to this country at the age of 19. He was best known as the designer of the Lincoln penny.

WILLIAM BAYARD HALE, at Munich, Bavaria, April 10, aged 55. Mr. Hale, who began life as an Episcopalian clergyman, later turning to journalism, was the reporter of the famous interview with the Kaiser which was to have appeared in The Century Magazine, but was suppressed.

ARMIES AND NAVIES OF THE WORLD



THE UNITED STATES

THREE United States Army planes started on March 17 on a world flight, the first leg of which was a flight from Santa Monica, Cal., to Seattle. The planes are to proceed to Sitka, Alaska, and from there across the Pacific to the Kurile Islands, where they are to be met by destroyers from the Asiatic fleet, to mark the route to the mainland of Asia. England, Argentina and Portugal are also undertaking world flights.

The Army Appropriation bill, calling for an expenditure of \$326,000,000, was passed by the House of Representatives on March 29. An eleventh hour attempt to reduce the army from 125,000 to 100,000 men was defeated by a vote of 189 to 33. Both the House and the Senate have passed the Naval Appropriation bill. The Senate has added \$1,690,000 for the increased purchase and manufacture of torpedoes, for yards and shore stations and for an increase in naval aviation and some other minor items.

Hearings on the Butler bill to authorize the construction of eight new 10,000-ton cruisers were held on April 9. It was shown that every nation signatory to the Naval Treaty, with the single exception of the United States, has authorized the construction of new vessels since the Washington conference. This completely disposes of the statement made by the House Appropriations Committee that other nations had not undertaken construction since the signing of the treaty.

THE BRITISH EMPIRE

SIGNIFICANCE is regarded as attaching to the concentration of the British Atlantic and Mediterranean fleets for manoeuvres in the Mediterranean. The exercises show a decided interest in the Balearic Islands. Continental observers note that a fleet operating off the Balearics automatically bisects France's communications by sea in the Mediterranean. The British force gathered for these manoeuvres is much more powerful than any naval force France might concentrate in the Mediterranean.

JAPAN

THE submarine No. 43 of 900 tons surface displacement, built by the Japanese Navy, was rammed and sunk by the cruiser Tatsuta during

manoeuvres off Sasebo on March 19. Twenty-two men lost their lives at the time of the collision; eighteen others were successful in confining themselves to airtight compartments. By means of the submarine telephone graphic descriptions were received of the manner in which these eighteen men faced death. After a final appeal for quick action to prevent suffocation, the imprisoned men ceased to signal at noon on the following day. All efforts to raise the vessel proved fruitless and the Navy Department finally gave the men up for lost. On the same day (March 19) the naval airship S-3 exploded over the City of Tokio. One officer and three men were lost.

During the latter part of April two Japanese naval seaplanes made a flight from the Sasebo naval station to Takao, Formosa, a distance of 2,500 miles.

A naval scandal has grown out of the failure of various ships built by the Kawasaki Company of Kobe to render expected service. The naval tanker Noto, built in 1923, could make a speed of only three knots on a trip from Formosa to Yokosuka. The vessel was the object of great expectations on the part of the Navy Department. The fast cruiser Kinu, flagship of the Third Division of the fleet, has been taken out of service and docked at Kure. Trouble has in addition materialized in the engines of the fast cruiser O-1, a sister ship of the Kinu. Both vessels are Kawasaki built. Several destroyers built by this company, among them the Ashi and Tsuta, are said to perform badly in service. Submarine No. 70, which went to the bottom with her crew on her trial trip, was also a Kawasaki boat.

The Navy Department on April 13 announced that estimates for the restoration of its properties which were damaged or destroyed by the earthquake of last September totaled 892,000,000 yen, or \$372,232,600. A ten-year program of rebuilding and replacement of destroyed arms and munitions is covered by the department in its figures. The greatest part of the expenditures will go toward the restoration of the Yokohama naval base.

The War Office states that this year there is a shortage of conscripts. There are 530,000 young men of conscriptive age, a decrease of 20,000 from the average. This is attributed to the decline in the birth rate of 1904-05, when more than a million men were at the front in Siberia. It is also

remarked that the number of eligibles was greatly reduced by the earthquake last September.

The Government of Korea is asking the addition of two divisions to the Japanese troops on duty there. It is suspected that revolutionary activities are on the increase. Strong recommendations are also being made to the War Office that all the troops now in Manchuria be permitted to stay there.

A military mission of eight army officers left Japan in March to study new weapons and methods of war in Europe and America.

As an index to the extent of war preparations now being made in Japan, the movement to organize and unionize the large number of 60,000 arsenal workers of Japan is of interest. It can safely be said that there are not more than 10,000 arsenal workers in the United States.

FRANCE

THE present French Navy building program is being carried out rapidly. Two of the three large cruisers, the Lamotte-Picquet and the Duguay-Trouin, are afloat, and the third vessel, the Primaguet, is well advanced. It has been announced that three more cruisers of 10,000 tons will be taken in hand as soon as the situation permits. A number of the flotilla leaders, destroyers and submarines of the present program have been launched and the remainder are progressing rapidly, so that it may be said that the reconstruction of the French fleet, delayed since 1914, is now well in hand. Further vessels of these types will be taken in hand as the stocks are cleared of the present ships.

Large increases have been voted to the French air forces in answer to the increases in the British forces. These measures are regarded as purely defensive in French military circles.

In some quarters it is expected that, as a result of the British naval manoeuvres in the Mediter-



Underwood

The scrapping of the Japanese battleship Katori in fulfillment of the terms of the naval treaty

anean, the French will assign the bulk of their submarine force to the northern ports. This would be a strategic move of the utmost importance, as France is far better placed to conduct a submarine war against England than was Germany.

TURKEY

THE Turkish National Assembly has passed an appropriation for the reorganization of the navy. The sum of £2,000,000 is to be used in refitting the battle cruiser Sultan Selim, formerly the German Goeben. It is expected that the cruisers Hamidieh and Mejidieh, as well as two torpedo gunboats, three destroyers and a number of auxiliary vessels, will be refitted and put into service. It is understood that the aid of former German and Austrian naval officers will be solicited.

Recent Scientific Discoveries

By WATSON DAVIS

FOR years it has been known that lack of certain properties in the food we eat may cause disease. Within the last twenty years four or more vitamins have been named and found to cause by their absence, bodily harm in man and animals. In spite of the fact that the word vitamin was coined in 1911 and has since become a part of nearly every one's vocabulary, vitamins have never been really known except through their effects. Now, however, the chemical isolation of two of the vitamins, B and D, has been reported. Dr. Walter H. Eddy of Teachers College, Columbia University, New York, working with Dr. R. R. Williams and Dr. Ralph W. Kerr, has announced the isolation of D, and Dr. Atherton Seidell of the United States Public Health Service Hygienic Laboratory has obtained a crystalline substance that has all the properties of vitamin B. Dr. Seidell used fullers' earth to absorb from a solution of yeast the active vitamin principle and after precipitating a picric acid and subjecting this product to many solutions and crystallizations, yellow transparent flakes were obtained which protected pigeons against the lack of vitamin B.

Vitamin D which Dr. Eddy and his associates have isolated as a crystalline substance has always been a partner of vitamin B, at one time being confused with it. D has another name, "bios." Unlike vitamins A, B and C, it does not affect the growth of animals and man, but confines itself to stimulating yeast to more vigorous growth. This preliminary work in discovering the true nature of vitamins promises to yield fruitful results of a practical nature, and is declared by nutrition experts to be of great importance to experiments in dietetics.

A new vitamin which was lettered X by its discoverers, Dr. Herbert M. Evans and Dr. Katharine Scott Bishop of the University of California, has been found to influence the fertility of animals. Lack of vitamin X in an artificial diet fed to rats prevented them from giving birth to young. During the past month, Dr. Barnett Sure of the University of Arkansas has confirmed the work of Dr. Evans and Dr. Bishop, and he suggests that this new vitamin be given a regular place in the alphabetical sequence as vitamin E.

NITROGEN SNOW

The puzzle of one of the splendors of northern regions, the shimmering glow of the aurora borealis, which has mystified scientists for many years, has at last been solved. A Norwegian

scientist, Professor Lars Vegard of the University of Christiania, recently declared that nitrogen at an altitude of about sixty miles above the surface of the earth existed not as a gas, but as solidified particles of nitrogen "snow." He has now concluded that the aurora is due to the action of electric radiations from the sun upon these particles of nitrogen snow. Not content with theory alone, he visited the cryogenic laboratory of Dr. Kamerlingh Onnes at Leyden and succeeded in producing a synthetic aurora borealis. He froze nitrogen on a copper plate by chilling the plate to the temperature of liquid hydrogen. This frozen nitrogen was bombarded with cathode rays, and as a result they were made to emit light of a greenish color which, when examined in the spectroscope, proved to be identical with the mysterious strong green line in the spectrum of the aurora. Professor Vegard also found that the crystalline nitrogen kept on emitting this greenish light several minutes after the bombardment of cathode rays had ceased. He also explains the wonderful changes of color in the aurora, for he found that under the electric excitation the solid nitrogen partly evaporates and then begins to emit light of the reddish color so characteristic of nitrogen gas.

THE GIANT OF THE HEAVENS

Astronomers continue to be interested in Betelgeuze, the erratic giant of the heavens, which achieved popular and scientific fame in 1920 when it was chosen as the first object to be measured by Professor A. A. Michelson's interferometer, attached to the largest telescope in the world, the 100-inch reflector at Mount Wilson Observatory. This ruddy star which has been visible in the heavens this Spring may prove to be even larger and more distant than earlier estimates have indicated. It will be remembered that the whole solar system might be immersed in this star without any portion of it projecting beyond its volume. Due to uncertainty as to its distance from the earth, estimates of the diameter of the star vary from 240,000,000 to 400,000,000 miles. It is even possible that Betelgeuze may closely rival, if not surpass, Antares, which has an estimated diameter of about 400,000,000 miles. Incidentally, the actual brightness of Betelgeuze is estimated to be about 5,000 times that of the sun.

Mr. Davis is an executive of a scientific institution cooperating with the National Academy of Science, the National Research Council and the American Association for the Advancement of Science.

CURE FOR SLEEPING SICKNESS

Last year it was reported that Germany had offered the allied nations the secret of a drug in exchange for some of its lost colonies. The drug was called Bayer 205, claimed as a remedy for African sleeping sickness. The trypanosome infection, which causes African sleeping sickness and which is transmitted to human beings through the bite of tsetse fly, has prevented the settling and exploitation of large areas of Africa. Use of the drug Bayer 205 proved that claims of the German chemists had foundation. Now, however, reports come from Paris telling of the synthesis by French chemists of a compound which they believe to be either identical with Bayer 205, or as effective. The French drug has been numbered 309. As a result of the use of Bayer 205 in Africa it was found that in some cases animals and men were resistant to cure of sleeping sickness by means of the drug,

and in such cases a drug called tryparsamide, developed in America at the Rockefeller Institute for Medical Research, has proved effective.

CHLORINE FOR COLDS

The common cold, the cause of so much illness of a minor sort and of much inconvenience, is being dealt with in a totally new fashion. The United States Chemical Warfare Service has discovered that mild chemical attacks with low concentrations of chlorine (the gas used by the Germans in their first gas offensive in the World War), will protect against colds. One of the rooms of the Senate Office Building in Washington has been fitted as a gas chamber into which Senators suffering from colds may go and try the cure. The concentration used is about one part of chlorine to from 100,000 to 130,000 parts of air.

WORLD FINANCE

A Month's Survey—By FRANCIS H. SISSON
Prominent American Financier

THE overshadowing economic as well as political event of the last month was the public announcement on April 9 of the report of the Reparation Commission's Committee of Experts, better known as the Dawes committee. The principal provisions of the report had adroitly been permitted to "leak" out several days in advance, so that public opinion was thereby sounded beforehand, the immediate major reactions probably well discounted, and the possibility of serious disturbance to international business and finance apparently skillfully obviated.

It is generally believed in financial circles in New York that the report establishes a sound working basis for the ultimate settlement of the reparations questions and a fair starting point for the economic recovery of Europe. It is considered to be a business-like analysis of the situation which may pave the way for the reorganization of Germany along lines that appear equitable to all concerned and, above all, practicable.

FOREIGN EXCHANGE ACTIVITY

Before the publication of the so-called Dawes report, foreign exchange commanded the centre of interest in the financial world during the greater part of the month that has just passed. The French franc has held most of the ground it gained as a result of "the dramatic success of American financial genius in restoring French

confidence in the franc." In an address on April 6, former French Finance Minister de Lasteyrie declared that "the credits we obtained abroad were granted only because of the fiscal measures voted by Parliament. At the beginning of the operation we were forced to use them extensively. At present the credits are entirely reimbursed. Not one piece of the Bank of France's gold reserve has been used. Our stock of 'ammunition' is entirely reconstituted."

The French franc reached 6.08 cents on April 2. Knowledge that the Bank of France was opposed to an unduly rapid recovery of the franc caused a certain degree of excitement among speculators, some of whom seemed to think that the upward movement of the franc had ended and that a reaction was about to begin again. All those who are considered well-informed in financial circles, however, accept as certain that the bank will not allow the franc to decline materially from the present level. It is recognized that the Bank of France desires that there shall be no more violent changes of rates in either direction.

The Belgian franc also experienced a spectacular rally on April 1, reaching a high of 5.10 cents, and 5.20 on the following day, which was the highest quotation since the last week of October, 1923. This upward movement was sharper and more unexpected than the mid-March advance of the French franc, and began when

rumors were circulated that the Belgian Government also, as in the case of the Bank of France, had arranged a banking credit in this country to bolster its currency.

Even more striking, according to foreign exchange dealers, was the gain at the beginning of April of $\frac{1}{2}$ cent by the Italian lira. This quotation ran up the high price for the year to date at 4.51 cents, on April 2, marking the first time in 1924 that the lira was quoted at more than $4\frac{1}{2}$ cents.

DOMESTIC MONEY RATES

The most conspicuous happening of strictly domestic financial import during the last month was the precipitate decline and as quick recovery of the call money rate in this country. The fall to $2\frac{1}{2}$ per cent. on March 21 was the lowest recorded in more than four years, and was occasioned by an unusual plethora of loanable funds. The rate, however, reacted to $5\frac{1}{2}$ per cent. on March 25. Here again the improved facilities for the prompt transfer of financial credits, like the facilities for the movement of railroad freights, played an important part. Country bankers who were lending their surplus funds in New York at 4 and $4\frac{1}{2}$ per cent. transferred their balances back to their home markets when the Stock Exchange rate fell below 3 per cent. The law of supply and demand immediately became operative and call loan rates advanced. Considerable stability has since prevailed in the call money market and the current rate is $4\frac{1}{2}$ per cent.

GENERAL BUSINESS CONDITIONS

Unsettlement has been a feature of both security and commodity markets in recent weeks, due in part at least to political developments rather than current changes in fundamental business conditions. The action of the House in rejecting the Mellon tax revision plan and adopting an inadequate substitute has unfavorably affected business sentiment; although the restoration of the Mellon rate schedule in the revenue bill by the Senate Finance Committee was a reassuring note. Disclosures made in the course of the oil investigation have tended further to disturb confidence. The approval of the Bonus bill by the House, while not unexpected, called attention to the possible enactment of the measure in some form at this session. In the face of these uncertainties a general attitude of hesitation and unwillingness to make commitments for the future continues. As a result, hand-to-mouth buying is general and programs involving the expansion of old or the undertaking of new enterprises are held in abeyance. In some industries this is more pronounced than in others, but the general effect has been to restrain speculation and to lower prices somewhat. Conservatism and

caution constitute the keynote of the situation. It is obvious that the present activities of Congress must interfere in some measure with a constructive legislative program. This may not have an entirely unfavorable effect, however, for it may prevent the enactment of some laws inimical to the best interests of business, such, for instance, as legislation antagonistic to the railroads.

TAX REVISION

The new Revenue bill was ordered reported favorably to the Senate on April 8 by the Finance Committee. The vote in the committee was on strictly party lines, 9 to 7. The bill provides, as reported, for a retroactive reduction of 25 per cent. on 1923 income taxes, which are payable this year; permanent revision of the income tax rates in accordance with the plan of Secretary Mellon; a special reduction of 25 per cent. in taxes on earned income, and repeal of many of the miscellaneous and excise taxes. As framed by the committee, Senator Lenroot estimated the bill would fail by \$69,000,000 to raise sufficient revenue to meet the regular Government expenses in the first year of its operation. This estimate did not take into account, the Senator added, special appropriation bills which may be passed by Congress this session, including the Bonus bill, which, it is estimated, would require an expenditure of \$135,000,000 the first year. In ending consideration of the measure the committee reaffirmed its action of the preceding day eliminating the Treasury provision to tax indirectly the income from tax-exempt securities. This provision, it was estimated, would have netted the Government \$35,000,000 annually.

The Democrats of the Senate Finance Committee made their income tax plan public on April 10 at the same time that the Tax Revision bill was reported. The Democratic plan, while carrying a surtax maximum of 40 per cent. on incomes of \$500,000 and more, is not as extreme as had been expected. Incomes of \$200,000 and more are to be levied at 38 per cent., whereas the Longworth program would impose a $37\frac{1}{2}$ per cent. tax. The Democratic surtax plan is not a regular progression. While it starts at 1 per cent. on incomes between \$10,000 and \$14,000, and goes upward at the rate of 1 per cent. on every \$2,000 until \$38,000 is reached, there is a jump at this point, and 1 per cent. additional is taxed upon \$40,000. Between \$96,000 and \$100,000 there is a tax of 36 per cent.; between \$100,000 and \$200,000, 37 per cent.; between \$200,000 and \$300,000, a tax of 38 per cent., between \$300,000 and \$500,000 and more, 40 per cent. The normal taxes proposed by the Senate Democrats parallel the Garner proposals. On net incomes up to \$4,000 the rate is 2 per cent.; on amounts between \$4,000 and \$8,000, 4 per cent., and above \$8,000, 6 per cent.

The Longworth compromise tax bill passed by the House differs essentially from the carefully drawn plan proposed by Secretary Mellon. It carries a lower schedule of rates on small incomes and in some of the lower income brackets the surtax rates also are lower than those suggested by the Treasury Department. But on the larger incomes the Longworth rates are much higher.

A serious defect of the bill, according to its opponents, is the proposal to continue the higher surtaxes at rates which discourage business enterprise and restrict the Treasury's income.

The passage of a soldier bonus bill by the House, after the adoption of a revenue measure which, without any increase in expenditures, would fail to provide the Treasury with sufficient income, is further evidence of the prevailing cross-purposes in Congress.

The schedule of payments by the Government under the proposed bonus measure represents, according to one estimate, a total sum of approximately \$2,100,000,000 distributed over a period of twenty years, the annual cost ranging from about \$135,000,000 in the first year to about \$91,000,000 in the last. Other estimates of the aggregate cost exceed \$3,000,000,000. The bulk of the outlay is to be in the form of endowment insurance certificates, rather than cash. Provision is made, however, for borrowing at banks, with the certificates as collateral, after the expiration of a two-year period.

AGRICULTURAL RELIEF BILLS

The Senate has rejected the proposed appropriation of \$75,000,000 for the assistance of farmers in the wheat areas. Its purpose was to encourage a diversification of production by enabling farmers in certain cases to purchase the necessary live stock. The failure of this proposal is interpreted as indicating that other schemes for farmers' relief, now under consideration in Congress, will not be adopted.

TREND OF PRODUCTION AND TRADE

The succession of untoward developments at Washington, accompanied by the menace of further blows at public confidence, came at a time when industrial production and trade were expanding. Recent curtailment in the production schedules of some automobile manufacturers, together with reduced buying of steel, led to apprehension of a general slowing down of business. But, notwithstanding a slowing down by a few companies, the production of automobiles and trucks during the first quarter of 1924 totaled 1,040,092, as compared with 875,503 for the corresponding period of 1923.

The movement of commodity prices has been uncertain, with a tendency to weakness, as is shown by the continued decline of wholesale prices. There is even more reluctant buying by

distributors in many lines than prevailed heretofore. No pronounced slackening of business as a whole has occurred, however, and the outlook remains favorable.

The building industry remains very active. New building permits filed in March called for the expenditure of \$318,926,000, which compares with \$248,412,100 reported in February, and with \$292,940,800 in March, 1923, which was considered an exceptionally large total at the time.

Production of steel ingots in the United States was 4,145,829 tons in March, the second largest monthly total in the history of the steel industry, and compares with a production of 3,780,663 tons in February and 4,046,854 in March, 1923. The largest total on record was 4,195,800 tons, in May, 1923. Since buying is almost wholly for immediate or nearby requirements, activity in the steel industry will continue to respond promptly to changes in general business.

Class 1 railroads, representing a total mileage of 235,901 miles, earned at an annual rate of return of 6.28 per cent. on their tentative valuation in February, with freight traffic that month the heaviest for any February on record, according to returns filed with the Interstate Commerce Commission and made available on April 8. In money this represented a net operating income of \$71,191,600. The net operating income is what is left after the payment of operating expenses, taxes and equipment rentals, but before interest and other fixed charges are paid. The same roads in February, 1923, earned a net operating income of \$39,274,900, which was at the annual rate of return of 3.76 per cent. In January, 1924, the net operating income was \$51,281,000, or 4.38 per cent. A wage increase estimated at about \$5,000,000, less compensation accruing from charges in schedules, was provided for in an agreement covering train service employees of forty-four railroads and nearly fifty subsidiaries, it was announced on April 8.

The cotton textile industry still suffers from an awkward price situation, with production greatly curtailed and with buying by the trade extremely cautious. Factory employment in general, however, recently showed the first upturn since June, 1923. Gains were recorded in thirty-six of the fifty-two industries covered by the Department of Labor's report.

Business failures in the United States numbered 5,655 in the first quarter of 1924. This compares with 5,218 suspensions in the last quarter of 1923, and with 5,316 in the first quarter of last year. The liabilities for the first three months of this year were \$184,865,571, against \$138,231,574 in the first quarter of 1923.

Despite all the continuing irregularities, a better balance is gradually being effected between different branches of industry. The value of last year's farm products, for example, shows an estimated increase of approximately \$1,000,000,000

over the 1923 estimate. The computed gain in average purchasing power of farm products from January, 1923, to January, 1924, was 9 per cent. Such a condition cannot fail to influence favorably the course of business as a whole.

BANKING CONDITIONS

The expansion of production and trade since the beginning of the year is reflected in a growing volume of bank loans, although only a moderate increase in borrowings has taken place, and the movement is due in part to seasonal variations in the credit requirements of certain branches of business. The upturn in commercial loans in January was preceded by much the largest contraction they have undergone since their expansion began in the Summer of 1922. The expansion of commercial loans in recent weeks was not as rapid as that which took place during the corresponding period of 1923. Then the advance in commercial loans of the reporting banks was \$350,000,000, as compared with \$236,000,000 this year. The sharp expansion in that period was a continuation of a movement which had begun six months earlier. A year ago borrowing at reserve banks was considerably greater than now, although total loans of reporting members were less by about \$350,000,000. The fluctuations in the trend of secured loans have reflected in some degree the activity in the securities market, with the peaks of the curve falling near the quarterly settlement dates. These loans are now at approximately the level of the corresponding period last year, in comparison with the substantial increase in commercial loans. Although credit requirements are now somewhat greater than a year ago, funds for loan purposes are plentiful and interest rates have recently declined. Indications are that the money market will continue easy for the immediate future. The question of changing Federal Reserve discount rates has been much discussed lately, as a result of low interest rates, and the view is held by many that the Federal Reserve rates should follow the market rates.

INTERNATIONAL POSITION

The Department of Commerce announced on April 5 that the international balance sheet of the United States for the calendar year 1923, taking into consideration all inward and outward items, including the so-called invisible exchange, showed a balance of \$152,000,000 against this country, as contrasted with an unfavorable balance reckoned on the same basis, of \$752,000,000 at the end of the calendar year 1922. The most conspicuous and perhaps the most significant feature of American foreign trade in 1923 was the small excess of merchandise exports over merchandise imports. This excess, amounting to

only \$389,000,000, compares with \$719,000,000 in 1922, and \$1,976,000,000 in 1921. Almost equally striking is the decline in the relative importance of trade with Europe, which last year represented only 41 per cent. of the total value of our foreign commerce, as against 44 per cent. in 1922 and 55 per cent. in 1913. This decline is by no means a new development; it is, in fact, one of the outstanding long-term tendencies in our foreign trade.

The events of recent years in Europe, painful as they have been, have at least served to bring into sharp relief the essential principles upon which the restoration of the exchanges and of better economic conditions must in the end be established. The way has already been shown in Austria, where relative stability has been reached by an international loan of not much more than \$125,000,000, by economies in Government expenditures and by a determined will to balance the national budget within a definite period of time. Similar efforts are now to be seen in Poland, Hungary, the Irish Free State and in Italy. A real cooperative effort by all the nations, it is believed, would restore the now fluctuating exchanges to a position of stability within a year.

Opinion throughout the world recognizes the apparent need of some plan for allied direction of German finances. Properly developed, such a plan might be regarded by France as affording her the satisfactory guarantees which she insists upon and would lead to the evacuation of the Ruhr. The question of the debts of France to Great Britain and the United States is obviously closely bound up in the problem. Great Britain has indicated a disposition to be lenient with France with respect to this debt, and a moratorium of ten or fifteen years has been suggested, and it might be anticipated that a liberal attitude would also be taken in the United States in this matter if this nation is assured that such action would hasten the re-establishment of prosperity in Europe and hence in all countries.

Germany is now plainly undertaxed, as compared with England or France, and the taxes are very inequitably distributed, the richest element of the State largely escaping the tax burden. Apparently, with exchange stabilized, taxes adjusted, the budget balanced and trade stimulated, Germany could, if she would, make substantial reparations payments while at the same time restoring her position.

The important factor in the situation is the attitude of France. The occupation of the Ruhr is still a very heavy burden upon Germany, and it is obvious that the elimination of the economic costs involved is required for German restoration. All the world apparently hopes that the present effort for a settlement of this long-drawn-out struggle will succeed.

Contemporary History & Biography

THE KU KLUX KLAN. A Study of the American Mind. By John Moffatt Mecklin. New York: Harcourt, Brace & Co.

Professor Mecklin's analysis of the conditions which produced the Ku Klux Klan is illuminatingly profound and acute. Born of the naïve fears of the population of the intellectually desolate Southern and Southwestern countryside, it differs from its spiritual predecessors of the days of "Know-Nothingism" and the A. P. A. only in that two shrewd and unscrupulous professional promoters secured control and exploited the Klan on a business basis.

"The Klan," says Professor Mecklin, "draws its inspiration from ancient prejudices, classical hatreds and ingrained social habits." Fear of the negro, of the foreigner, of the Catholic, attracts ignorance to its banners, there to find diversion from the dreariness of small-town life in fantastic ritual, masks and the opportunity to gratify the desire for power by enforcing lynch law under the cloak of mask and organization. The rapid growth of the Klan was stimulated by the World War. Says Professor Mecklin:

The war, with its hymns of hate * * * its secret spyings upon fellow-Americans * * * its fearful tales of Bolshevik designs upon American institutions, had opened up the fountains * * * of national feeling. After the armistice these hates * * * to which the nation had become habituated * * * were suddenly set adrift * * * As a nation we had cultivated a taste for the cruel, the brutal, the intolerant and the un-Christian that demanded gratification. Here was an unparalleled opportunity for the Klan "salesmen of hate."

The inherent common sense of the American people, reflected in the growth of questioning factions within the Klan, has been reasserting itself, and the Klan's star seems on the wane. A cause for congratulation indeed, for

wherever the Klan has become a power in a community its * * * methods have eaten like an acid into the fabric of society, disintegrating loyalties, setting man against man, and paralyzing social and civic enthusiasms. * * * The uniform opinion of the best element in every community is that the Klan has never had any real justification for its existence. It has flourished by creating false issues, by magnifying hates and prejudices or by exploiting misguided loyalties.

A LATE HARVEST. Miscellaneous Papers Written Between 80 and 90. By Charles W. Eliot. Atlantic Monthly Press.

M. A. De Wolfe Howe, the compiler of this

volume, has chosen well from Dr. Eliot's prolific writings of the last decade. Dr. Eliot's views on education, religion, industrial relations and America's duty to the world are stated at length. This interesting quotation will interest every one who has ever had to consider the problem of education:

Most Americans, educated or uneducated, rich or poor, young or old, except the men well trained for the medical, the artistic or the scientific professions, cannot see or hear straight, make an accurate record of what they have just seen or heard, remember exactly for an hour what they suppose themselves to have seen or heard, or draw the just, limited inference from premises—true or false—which they accept.

DARKER PHASES OF THE SOUTH. By Frank Tannenbaum. New York: Putnam's.

Mr. Tannenbaum has drawn a gloomy picture of certain aspects of Southern life. In the plight of mill hands and poverty-stricken tenant farmers, in the treatment of prisoners and the prevalence of lynch laws, he has found enough material for gloom-inspiring thought. The Anglo-Saxon stock in the mill towns and farming districts of the South live in a state that debases the mind and embrothers the soul. Here is a problem that requires urgent solution, but these unfortunates are inarticulate and their needs ignored.

THE INTELLECTUAL WORKER AND HIS WORK. By William MacDonald. New York: Macmillan Company.

The answer to the problem of how intellectual workers are to win for themselves and their class an economic position and voice in the conduct of affairs commensurate with their responsibilities and abilities Mr. MacDonald finds in trade-unionism. This will meet with vigorous hostility, but certain it is that something must be done to prevent the loss, through inability to earn enough to support and educate a family, of the idealistic tradition which the intellectuals have inherited. Race suicide begins and ends with the intellectuals, who are a standing contradiction of the economic law that labor must be paid enough to reproduce itself.

THE PRICE OF FREEDOM. Speeches and Addresses by Calvin Coolidge. Scribner's.

This volume deserves to be read not only for

its sound content, which reveals the mind of the President, but for its admirably clear, concise style.

PROPHETS UNAWARES. By Lucien Price. New York: Century Company.

Alexander Meiklejohn became President of Amherst College in 1913. He was forced to resign by the alumni, who found themselves in disagreement with him on the relative weight to be assigned to scholarship and athletics. Meiklejohn set greater store on hard study and a not too acquiescent examination of the social and economic bases of modern life. In the ten years of his Presidency he made Amherst the centre of a vigorous, iconoclastic, liberal school of thought. Mr. Price in his little volume has given a glowing

account of Dr. Meiklejohn's inspiration and service.

HISTORY OF MODERN EUROPE, 1878-1919. By G. P. Gooch. EUROPE SINCE 1815. By Charles Downer Hazen. AMERICAN DIPLOMACY. By Carl Russell Fish. HISTORY OF ENGLAND AND THE BRITISH COMMONWEALTH. By Laurence M. Larson. SAMUEL ADAMS. By Ralph Volney Harlow. New York: Holt.

The five important foregoing volumes will be of interest to the historically minded reader. The first two have a particular appeal in connection with Professor Barnes's article printed in this number. Of particular importance is G. P. Gooch's masterly survey of modern European history, which is for the time being the standard work of its kind.

